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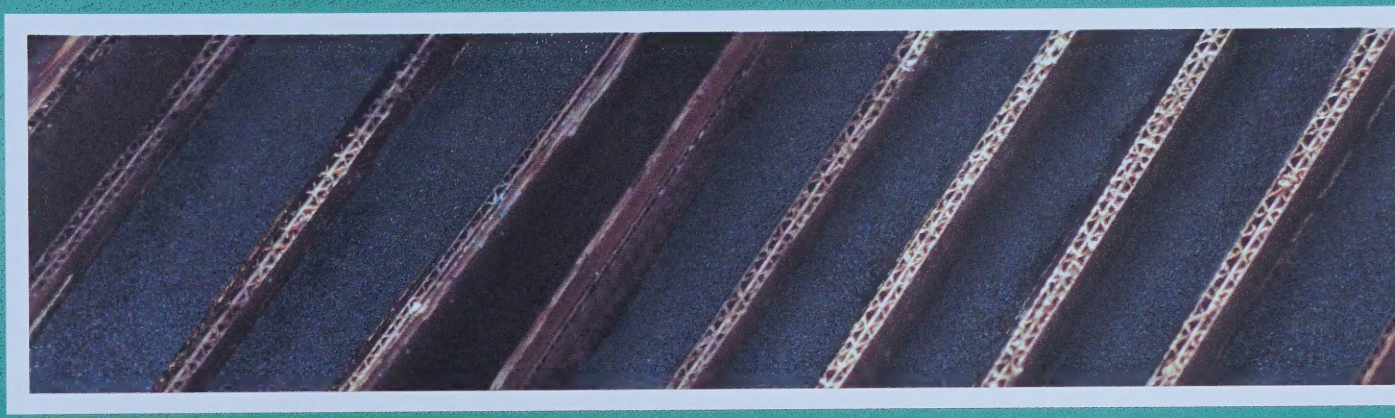
UTS ENERGY CORPORATION

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009



UTS

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MESSAGE TO OUR SHAREHOLDERS

The events of 2009 demonstrate UTS' dedication to the delivery of shareholder value, as we maintain our clear focus on delivering long-term value from our portfolio of high quality oil sands assets, despite near-term challenges.

The Fort Hills, Frontier and Equinox Oil Sands Mining Projects form the foundation of our portfolio and we believe UTS' combined net best case resource estimate, of in excess of 1.5 billion barrels, continues to increase in value with time.

Suncor is reviewing the Fort Hills Project with a view to determining the scope and timing of the Fort Hills Project by the end of 2010. We anticipate savings from earlier cost estimates, given the opportunity for synergies with existing Suncor facilities, and a relative easing in labour market pressures in the oil sands operating area. We remain confident that this major oil sands mining project, with its 3.4 billion barrels of best estimate contingent resources, will proceed in a timely fashion.

The Frontier Project advanced during 2009 with the completion of the preliminary mine planning and a scoping engineering study. Teck and UTS jointly awarded contracts in February, 2010 for a design basis memorandum (DBM) study. We continued to consult with government regulators and the local communities of Fort McKay and Fort Chipewyan during 2009, including open houses held in the fall to review the project progress and receive feedback.

In the case of the Equinox Project, we continue to believe that the best development option is a satellite facility to the Frontier Project. This is similar to the development plan that was employed with Syncrude's Aurora North Mine and we believe delivers the most value to the partners.

We expect to be in a position to file a regulatory application in early 2011 for the combined Frontier and Equinox Projects. Based on the current regulatory timelines, UTS' management estimates that regulatory approval should be forthcoming in 2014 setting the stage for full scale development of our next major project.

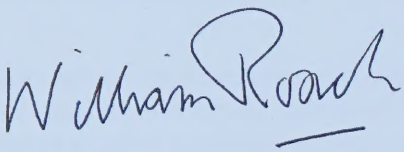
In the summer of 2009, jointly with Teck, we pilot tested a high temperature paraffinic froth treatment process at the Fort McKay pilot plant. This has enabled us to observe the processing characteristics of ore from both the Frontier and Equinox Project areas, and provided key technical information that will be highly valuable for the DBM study planned for 2010. This high temperature paraffinic froth treatment process will allow UTS to export clean bitumen to a broad market of refiners.

As UTS' investors confirmed when they rejected the hostile takeover bid from Total E&P Canada Ltd. in April 2009, the value of UTS is more than just the Fort Hills Project. Our strategy has been to grow organically, creating value at every stage in the resource development cycle, from exploration and delineation, to project development and eventual production.

In November 2009, we announced the sale of the UTS' 50% working interest in the Lease 421 Area assets to Imperial Oil and Exxon for $250 million. With this transaction, we provided another example of UTS' ability to generate cash reserves to fund our development activities from within the company. This transaction implicitly highlighted the value of the Fort Hills, Frontier and Equinox resources over and above the UTS cash position. A clear goal for 2010 is to ensure that the intrinsic value of the resource is properly reflected in the share price, which has not yet been recognized.

UTS is demonstrably well positioned to ride out the ups and downs of major oil sands project developments. With the proceeds from the Lease 421 Area transaction, UTS now has $440 million in cash and cash equivalents, plus $704 million in remaining earn-in from the Fort Hills' partners. This puts UTS in a strong financial position while we await Suncor's proposed development plan for Fort Hills.

I am appreciative of UTS' Board of Directors' continued guidance and our dedicated employees for their significant commitment to UTS. Thank you for your interest in our Company and I remain convinced that UTS' investors will ultimately be rewarded for their patience.



William Roach
President and Chief Executive Officer
Calgary, Alberta, Canada
March 24, 2010

UTS ENERGY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT MARCH 23, 2010

Management's discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2009. Additional information concerning UTS Energy Corporation ("UTS" or the "Company"), including its Annual Information Form, is available on SEDAR at www.sedar.com.

This report contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities law. These statements and information are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements and forward-looking information. The words "believe", "expect", "indicate", "intend", "estimate", "anticipate", "project", "scheduled" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking statements and forward-looking information. These statements and information are only predictions. Actual events or results may differ materially from the events and results expressed in the forward-looking statements and forward-looking information. In addition, this report may contain forward-looking statements and forward-looking information attributed to third-party industry sources. Undue reliance should not be placed on these forward-looking statements and forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements and forward-looking information involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements and forward-looking information will not occur.

Specific forward-looking statements and forward-looking information contained in this report include, among others, statements regarding: the expected costs to construct the Fort Hills Project or other potential projects; estimated costs to increase TV:BIP cut-off ratios; timing and sources of financing further capital requirements; estimated 2009 taxes; expectations regarding the write-off of the majority of the upgrader costs; plans and expected impacts of adoption of International Financial Reporting Standards; the timing of commencement of operations and the level of production anticipated; the operation of facilities; our estimated general financial performance in future periods; estimate regarding Fort Hills Project funding from earn-ins; the timing of PCOSI's re-assessment of project design and potential capital cost efficiencies and integration opportunities; the timing of receipt of a revised cost estimate for the Fort Hills Project and the expected impact of such estimate on estimated capital costs; the potential effect of the new tailings ERCB Directive 074; the timing of initiation of a detailed mine plan and Design Basis Memorandum ("DBM") study for the Frontier Project; the timing of filing regulatory applications; our resource estimates; the projection that sufficient financial resources are in place to fund working capital requirements for the Fort Hills Project; estimated abandonment and reclamation costs; any expansion plans for our properties or assets; the impact of governmental controls and regulations on our operations; our competitive advantages and ability to compete successfully; our expectations regarding the development and production potential of our properties including through the use of emerging technologies; the timing of receipt of required approval and permits from regulatory authorities; the impact of uncertainty in the capital markets on the debt and equity markets; our expectations regarding global capital markets; and our expectations regarding the potential impact, synergies and benefits to UTS and the Fort Hills Project from Suncor.

With respect to forward-looking statements and forward-looking information contained in this report, we have made assumptions regarding, among other things: future crude oil, bitumen, natural gas and synthetic crude oil ("SCO") prices; our ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet our demand; the regulatory framework representing royalties, taxes and environmental matters in which we conduct our business; our ability to market production of bitumen or SCO successfully to customers; continuity of resource between core holes; future production levels; future capital expenditures; future sources of

funding for UTS' capital program; future debt levels; our geological and engineering estimates; the geography of the areas in which we are exploring; the impact of increasing competition; our ability to obtain financing on acceptable terms; the risk around change to scope; and our continued existence and that no transaction resulting in a change of control of UTS is completed.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in our forward-looking statements. Such risks, uncertainties and factors include, among others: the cost of construction for the Fort Hills Project, maintaining the construction schedule and planned start-up dates; difficulties encountered during the production of bitumen or SCO; costs associated with production and upgrading bitumen; the impact of competition; the need to obtain required approvals and permits from regulatory authorities; liabilities as a result of accidental damage to the environment; compliance with and liabilities under environmental laws and regulations; the uncertainty of estimates by our independent consultants with respect to our bitumen and SCO resources; the volatility of crude oil and natural gas prices and of the differential between heavy and light crude oil prices; the risks associated with exploring, developing and producing bitumen; changes in the foreign exchange rate amount between the Canadian dollar, the U.S. dollar and the Euro; risks that our financial counterparties (including Teck and Suncor) may not fulfill financial obligations due to us; liquidity and capital market constraints on us; difficulties encountered in delivering either SCO, bitumen or dilbit to commercial markets; risk that we are unable to sufficiently protect our proprietary technology or may be subject to technology infringement claims from third parties; general economic conditions in Canada, the United States, and global markets; failure to obtain industry partners and other third-party consents and approvals when required; royalties payable in respect of our production; the impact of amendments to the Income Tax Act (Canada) on us; changes in or the introduction of new government regulations, in particular related to carbon dioxide ("CO_2") relating to our business; and the uncertainty of our ability to attract capital for both debt and equity when necessary.

The information contained in this report, including the information provided under the heading "Risk Factors", identifies additional uncertainties that could affect our performance. We urge you to carefully consider those factors and the other information contained in this report.

Our forward-looking statements and forward-looking information are expressly qualified in their entirety by this cautionary statement. Our forward-looking statements and forward-looking information are only made as of the date of this report. We undertake no obligation to update these forward-looking statements and forward-looking information to reflect new information, subsequent events or otherwise, except as required by law.

INTRODUCTION AND OVERVIEW

UTS is focused on the creation of shareholder value through exploration, development and production of hydrocarbon resources, mainly mineable oil sands deposits from the Athabasca Oil Sands Area in north-eastern Alberta, specifically the leases related to the Fort Hills oil sands project ("Fort Hills Project"), the Frontier Project and the Equinox Project (all of which are defined below), in addition to the potential development of the Company's other exploration lands located in Alberta's Athabasca Oil Sands Area.

UTS holds a 20 percent interest in the Fort Hills Project through its interests in Fort Hills Energy Corporation ("FHEC") and the Fort Hills Energy Limited Partnership ("Fort Hills Partnership"). On August 1, 2009, as a result of the amalgamation between Petro-Canada and Suncor Energy Inc. ("Suncor"), Suncor became a partner and the operator, through Petro-Canada Oil Sands Inc. ("PCOSI"), of the Fort Hills Project ("Operator") and now holds Petro-Canada's 60 percent interest in the Fort Hills Project, Teck Resources Limited ("Teck") holds the remaining 20 percent interest. The Fort Hills Partners' participation in the Fort Hills Project is governed by the Amended and Restated Limited Partnership Agreement and the Amended and Restated Unanimous Shareholder's Agreement, each agreement is among UTS, Suncor, Teck and FHEC on behalf of

Fort Hills Partnership and dated November 23, 2007, which was originally amended and restated on November 30, 2005 (collectively the "Fort Hills Partnership Agreements").

The amalgamation between Suncor and Petro-Canada in 2009 has impacted the scope and timing for the development of the Fort Hills Project, as PCOSI re-assesses the project design and potential capital cost efficiencies and integration opportunities. The near term project focus will be on re-configuring the Fort Hills Project to take advantage of the synergies with the existing Suncor facilities. Suncor is expected to complete a re-assessment of its oil sands assets before the end of 2010, which should provide more clarity around the Fort Hills Partnership's intentions for the Fort Hills Project. UTS continues to actively participate through the Fort Hills Management Committee and various Sub-Committees in reconfiguring the Fort Hills Project to the benefit of all three Fort Hills Partners.

UTS holds a 50 percent interest with its partner, Teck, in both the Equinox oil sands mining project (the "Equinox Project") and the Frontier oil sands mining project (the "Frontier Project"), which are located on the west side of the Athabasca River, west of the Fort Hills Project. The Equinox Project is adjacent to the Pierre River project proposed by Shell Canada Limited ("Shell") and the Frontier Project is located to the north of both of these project areas. Both the Equinox Project and the Frontier Project are within the surface mineable area ("SMA") defined by the Energy Resources Conservation Board ("ERCB") and are minable oil sands projects. UTS and Teck jointly awarded contracts for completion of a DBM study for the Frontier Project during the first quarter of 2010, with the goal of preparing a regulatory application to be filed in early 2011.

On January 29, 2009, Total E&P Canada Ltd. ("Total E&P"), a wholly owned subsidiary of Total S.A., made an unsolicited offer to purchase all of UTS' issued and outstanding common shares for the consideration of $1.30 per common share. The offer had an expiry time of 8:00 p.m. EDT on March 30, 2009. This offer was subsequently increased by Total E&P on March 27, 2009 to $1.75 per share in cash and the expiry time extended to 8:00 pm (EDT) on April 27, 2009. After consideration of these offers by UTS' financial advisors and the Special Committee of the Board of Directors, the UTS Board of Directors issued Directors' Circulars on February 9, 2009 and April 23, 2009 recommending that shareholders reject the offers. On April 28, 2009, Total E&P terminated its attempt to acquire UTS after shareholders rejected its revised offer.

On November 2, 2009, UTS announced the disposition of its 50 percent working interest in Leases 421, 022 and 023 (the "Lease 421 Area") located east of the Firebag River in north-eastern Alberta to Imperial Oil and ExxonMobil Canada Ltd. for $250 million. The after-tax proceeds were $205 million. The completion of this transaction was announced on November 19, 2009. This transaction is a major milestone for UTS and marked the end of the formal value maximization process started in January, 2009 in response to the hostile takeover bid launched by Total E&P. This transaction demonstrated the success of UTS' strategy of generating cash reserves organically, by finding new oil sands resources. By implication, this transaction also demonstrated the market value of the Equinox and Frontier Projects, and UTS' broader portfolio of assets outside of the Fort Hills Project.

UTS has an estimated $440 million cash and cash equivalents balance which, taken in combination with the $704 million approximate remaining earn-in on the Fort Hills Project, leaves UTS extremely well positioned to respond to the funding requirements of both the Fort Hills Project and its portfolio of other development opportunities. UTS is demonstrably well positioned to ride out the ups and downs of major oil sands project developments. This puts UTS in a stronger financial position while we await Suncor's proposed development plan for Fort Hills.

UTS believes that the combination of the Fort Hills Project, the Frontier Project, the Equinox Project, and UTS' other land assets present growth opportunities for shareholders. Some of these land assets on the west and east sides of the Athabasca River may include the potential for in-situ development using existing or emerging production technologies.

UTS' CASH AND EQUIVALENTS AND EARN-IN AMOUNT

UTS' assets include a combination of cash and cash equivalents and the remaining earn-ins committed by the partners in the Fort Hills Project.

Source As of December 31, 2009	Amount in millions	Amount per share
Balance of Earn-ins I and II[1]	$704	$1.48
Cash and cash equivalents[2]	234	0.49

Notes:

1. Teck and Suncor are required to fund a further $704 million of the remaining earn-in II on behalf of UTS. On UTS' behalf, Teck and Suncor have spent $696 million of the $1.4 billion of earn-ins I and II since the inception of the Fort Hills Partnership in March 2005.
2. Excludes after tax proceeds on the sale of its interest in the Lease 421 Area of $205 and $13.7 million in cash collateral supporting a Letter of Credit ("LC")for mine reclamation security with Alberta Environment ("AENV")

OIL SANDS LEASE HOLDINGS

UTS currently holds 365,857 gross acres of oil sands leases. This includes 12,222 net acres associated with the Fort Hills Partnership and 163,893 net acres outside of the Fort Hills Partnership, as detailed in the following table.

In 2009, UTS spent $15,270,890 on land acquisitions and the acreage holdings are reflected in "Other Exploration Lands" in the table below. Also in 2009, UTS sold its 50 percent interest in the Lease 421 Area (which is shown as a reduction in "Other Exploration Lands" in the following table).

Oil Sands Leases	**Total Acreage**	**UTS Net Acreage**
Fort Hills Project	46,711	9,342
Fort Hills Partnership	14,400	2,880
Subtotal (Fort Hills)	61,111	12,222
Equinox Project	7,146	3,573
Frontier Project	65,280	32,640
Other Exploration Lands	232,320	127,680
Subtotal (Leases Outside Fort Hills)	304,746	163,893
Total Leases	365,857	176,115

2009 HIGHLIGHTS

CONTINGENT BITUMEN RESOURCES[1 & 5]

Sproule Unconventional Limited ("Sproule") has prepared an independent opinion of the contingent bitumen resources of UTS effective as of December 31, 2009 (the "Sproule Report"). Sproule's work on the Fort Hills Project included a geological audit and review of Suncor's most recent mine plan as of December 31, 2009 including the impact of the ERCB's Directive 074 "Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes" ("ERCB Directive 074"). For the Frontier Project, Sproule updated its previous estimate of contingent resources that were based on a geological evaluation within the Norwest Corporation's ("Norwest") defined pit surfaces, as of December 31, 2008, to incorporate the most recent Norwest pit slope modifications, as of December 31, 2009. For the Equinox Project, Sproule prepared a geological audit as of December 31, 2008 based on the Norwest defined pit surfaces. It should be noted that there have been no material changes to the audit of the Equinox Project in 2009; therefore, no updates were made to the Sproule Report in respect to the Equinox Project.

Project	Project 100% Millions of Barrels			UTS' Share Millions of Barrels		
	Low[2]	Best[3]	High[4]	Low[2]	Best[3]	High[4]
Fort Hills	2,400	3,390[6]	4,350	480	678	870
Frontier	930	1,450	2,550	465	725	1,275
Equinox	230	330	380	114	166	189

Notes:

1. The term "contingent resources" is taken from the COGEH. The volumes listed in the chart above entitled, "Contingent Bitumen Resources" refer to potentially recoverable volumes of asphaltene reduced bitumen resources. The volumes of contingent bitumen resources in the above chart were calculated at the outlet of the proposed extraction plant. There is no certainty that it will be commercially viable to produce any portion of the contingent bitumen resources.
2. This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If the probabilistic methods are used, there should be a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
3. This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
4. This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.
5. Based on Form 51-101 F2 resources effective December 31, 2009 and dated February 8, 2010, figures that were evaluated or audited by Sproule and were estimated using paraffinic froth treatment.
6. The current mine plan is the basis of the Best Estimate for the Fort Hills Project.

The preparation and disclosure of the reported resource estimates are the responsibility of UTS' management with approval by the Company's Audit and Reserves Committee and Board of Directors. Sproule's responsibility is to express an opinion on the bitumen-in-place and contingent bitumen resources data based on an evaluation, audit or review. Sproule carried out the 2009 evaluation, audit or review, as appropriate, in accordance with standards established by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Those standards require that the bitumen-in-place and contingent resources data be prepared in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

The term 'contingent resources' is taken from the COGE Handbook as published by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Petroleum Society of Canada. Contingent resources are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early evaluation stage. The contingent resource volumes listed in the chart above refer to potentially recoverable volumes of asphaltene-reduced bitumen resources. The volumes were calculated at the outlet of the proposed extraction plant.

There are numerous uncertainties inherent in estimating quantities of resources. See also "Risk Factors - Hydrocarbon Resources" below. Contingent resources do not constitute, and should not be confused with reserves. The primary contingencies which currently prevent the classification of the contingent resources disclosed in the table above as reserves consist of: current uncertainties around the specific scope and timing of the development of each of the Fort Hills Project, the Equinox Project and the Frontier Project; lack of regulatory approvals for certain aspects of such projects; the uncertainty regarding marketing plans for production from the subject areas; estimation of project costs; commodity price fluctuations; in the case of the Fort Hills Project, the acceptance within the Fort Hills Partnership of the updates to the Fort Hills Project scope, timing, costs estimates and final Board of Directors approval of each of the Fort Hills Partnership general and limited partners; and those other risks and contingencies described

below and under "Risk Factors" in UTS' Annual Information Form available under UTS' profile at www.sedar.com or our website at www.uts.ca. There is no certainty that it will be commercially viable to produce any portion of the contingent resources on any of the above mentioned properties.

As previously disclosed on February 4, 2010, the most noticeable change to this year's estimates of UTS' contingent resources was with the Fort Hills Project, where UTS' share of the best estimate of contingent bitumen resources has been reduced by 98 million barrels. This adjustment was largely driven by the requirements of the new ERCB Directive 074 released on February 3, 2009. These resources are not lost permanently, but if eventually produced, will be subject to higher mining costs to recover since the dried tailings overlying the resource will have to be removed in addition to the existing overburden. This may be feasible in the later years of the mine life.

Also disclosed in the February 4, 2010 news release was a change in this year's estimate of contingent resources ascribed to the Frontier Project, where UTS' share of the best estimate of contingent bitumen resources was reduced by 49 million barrels. This change is due to a revision to the west wall of the pit shell.

Norwest, an independent geological and engineering consulting company, provided UTS and Teck with pit shell analyses for the Frontier Project pursuant to a report dated December 18, 2008 and subsequently, based on Norwest's most recent pit slope modifications, the estimate of contingent resources was updated in December 31, 2009. Utilizing standard mining criteria, Norwest developed preliminary pit shells with a total volume to bitumen-in-place ("TV:BIP") cutoff of 12:1 and 16:1. The ERCB considers TV:BIP 12:1 to be the minimum economic limit for surface mineable bitumen volumes. The TV:BIP ratio measures the total volume of material (overburden and oil sands) relative to the volume of bitumen in place; it considers how much material must be removed to access the oil sands as well as the ore grade, which is the richness of the deposit. Given the prevailing cost/revenue environment in the oil sands industry a TV:BIP 16:1 pit was also developed to show the incremental potential for the area. The "Best" and "High" estimates for Frontier and Equinox prepared by Sproule, summarized in the table above, are based on the mine pits developed by Norwest using a TV:BIP of 12:1 and 16:1 respectively.

DELINEATION AND EXPLORATION DRILLING PROGRAM UPDATE

UTS DRILLING PROGRAM SUMMARY

The 2008/2009 winter season was the fourth year in which UTS, together with Teck, conducted a successful core hole drilling program. UTS planned successive drilling programs using the results from the previous years' drilling to capitalize on preliminary exploration leads and, over a period of approximately two years, drill to a sufficient density to establish firm resource estimates. The chart below summarizes the drilling activities conducted jointly with Teck.

During the 2008/2009 winter season, the focus of the exploration and drilling program was on further delineation of the Lease 421 Area. UTS subsequently completed the sale of its interests in these assets. Consequently, any reference to the delineation of the Lease 421 Area is excluded from this report.

UTS and Teck recently completed a successful field program during the 2009/2010 winter season, with the objective of acquiring additional data in support of the planned regulatory application for the Frontier Project. The program included the drilling of 68 core holes for the purposes of resource delineation, and the completion of an extensive geotechnical and hydrogeological program for development of the detailed mine plan. A further 15 core holes were drilled on lands outside the Frontier Project leases to determine the suitability of potential locations for placement of facilities. The following summary table excludes such data.

UTS Drilling Program	Core Holes Drilled Prior to 2009/2010 Season	Core Holes Drilled During 2009/2010Season	Total Core Holes Drilled
West of the Athabasca River			
Equinox Project (Lease 14)	124	-	124
Frontier Project (Leases 311, 468, 470, 477, 610, & 840)	398	68	466
Leases 514 & 513	20	-	20
Leases 469 & 471	1	-	1
Leases 003, 611, 614, 615 & 915	4	-	4
East of the Athabasca River			
Lease 509, 510, 511 & 837	15		15
Leases 422 & 423	8	-	8
Total	570	68	638

FORT HILLS PROJECT

(Leases 008, 932 and 933)

The Fort Hills Project comprises oil sands Leases 008, 932 and 933 (the "Fort Hills Project Leases") which cover a contiguous area of approximately 46,711 acres and are located in north-eastern Alberta, approximately 90 kilometres north of Fort McMurray and 500 kilometres north-east of Edmonton. UTS holds a 20 percent interest in the Fort Hills Project Leases (9,342 acres).

In March 2009, PCOSI, on behalf of the Fort Hills Partnership agreed with Alberta Energy on a Fort Hills Lease Substitution Agreement to extend the terms of Leases Agreements associated with Leases T52 and T05 and to remove the development milestones that were previously associated with those Lease Agreements. The extension and removal of milestones was provided in exchange for a commitment to upgrade bitumen production within Alberta from Phase II, defined as the bitumen production subsequent to the 160,000 bbl/d from Phase I of the Fort Hills Project. The terms of these new leases will run through to July 31, 2019. In the event that the Fort Hills Project does not meet the terms of the Fort Hills Lease Substitution Agreement, the Fort Hills Partnership will pay the Government of Alberta damages for lost provincial revenue that could total $500 million.

FORT HILLS PROJECT - Project Activities

The amalgamation between Suncor and Petro-Canada in 2009 is impacting the scope and timing for the development of the Fort Hills Project, as PCOSI re-assesses project design and potential capital cost efficiencies and integration opportunities. The near term project focus will be on re-configuring the Fort Hills Project to take advantage of the synergies with the existing Suncor facilities and cost reduction opportunities that the recent decline in activity in the Athabasca region present.

Current activities at the Fort Hills site are directed towards care and maintenance of infrastructure, civil works and buildings completed during the initial construction phase. Environmental baseline activities, including those associated with the McClelland Lake Wetland complex, also continue. The status of the Sturgeon upgrader is unchanged in that a development decision has been deferred indefinitely and site activities have ceased.

Suncor, through the wholly owned operating entity, PCOSI, has provided a forecast project spending estimate of $33 million for 2010 (vs. 2009 actual spend of ~$284 million), of which UTS' share is expected to be $2 million, assuming the Fort Hills Project remains in care and custody during 2010 and some regulatory work is carried forward.

Suncor is expected to complete a re-assessment of its oil sands assets before the end of 2010, and has publicly stated that it will provide more information on the scope and timing of the Fort Hills Project by that time. UTS expects that significant synergies will be found with Suncor's existing operations that will enhance the economics and attractiveness of the Fort Hills Project for all the Fort Hills Partners and that new cost estimates will be prepared for the Fort Hills Project during 2010. In the meantime, in the absence of any new data, UTS' guidance for the costs remains unchanged based on the cost estimate review of Phase I, of a mine and bitumen extraction project, completed during the second quarter of 2009. These are go-forward capital cost estimates excluding sunk costs of approximately $2.8 billion.

Development Configuration	Capacity	Estimated Cost
Two Trains	160,000 bbl/d	$8.0 – 10.0 Billion
Single Train	80,000 bbl/d	$5.0 – 6.5 Billion

Based on its current cash position and the remaining Fort Hills Project earn-ins and assuming a two train development configuration, UTS believes it is extremely well positioned to respond to the funding requirements of both the Fort Hills Project and its portfolio of other development opportunities. In the single train case, UTS would be in a stronger funding position with available cash and remaining earn-in.

This projection is based on a combination of the following base assumptions:

- remaining $704 million in earn-in obligation from the Fort Hill's Partners;
- approximately $440 million in cash (including the net proceeds from the sale of the Lease 421 Area) and cash equivalents on UTS' balance sheet, including proceeds received from Teck; and
- UTS' share of Fort Hills Project expenditure for 2010 based on the approved budget is estimated to be $2 million.

The availability of skilled personnel is expected to present less of a challenge to the successful execution of major projects in Alberta over the near term and consequently there is minimal upward pressure on labour costs. The cost of certain metals, particularly copper, has shown an upturn recently, and this is creating some upward cost pressure. Nevertheless, the overall outlook for Fort Hills Project costs remains favourable relative to the peak experienced in 2008, but the ability to take advantage of this will depend on project timing.

The timing of a final investment decision on the Fort Hills Project remains uncertain, pending completion of PCOSI's reassessment of its development options and agreement by the Fort Hills Partnership for a revised project scope, development costs and associated economics.

FORT HILLS PROJECT - Regulatory Approvals

The major permits and approvals to develop a mine and bitumen production facility with capacity of up to 190,000 bbl/d of partially de-asphalted bitumen were granted by the Government of Alberta in December 2002.

On July 27, 2007, PCOSI filed an application with the ERCB and AENV to amend the existing mine approval to be consistent with the Front End Engineering Design ("FEED") design basis and extend the life of the mine. On April 1, 2009, the Government of Alberta issued conditional approval for most aspects of the proposed mine amendment. Expansion of the mine plan and an increase in the total recoverable resource is conditional on submission and approval of a revised mine plan, coupled with an assessment of the environmental effects, both to be submitted prior to December 31, 2010.

Amended operating approvals under the *Environmental Protection and Enhancement Act* and the *Water Act* for the Fort Hills mine were issued by AENV on May 15, 2009.

ERCB's Directive 074 entitled "Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes" was issued by the ERCB in February of 2009. In September of 2009, PCOSI, on behalf of the Fort Hills Partnership, submitted an annual tailings management plan to the ERCB. This plan provides details of how the Operator intends to comply with the requirements of ERCB Directive 074. The management plan is currently under review by the ERCB.

FORT HILLS PROJECT - Funding

UTS, Teck and Suncor are respectively committed to pay $0.350 billion, $2.225 billion and $4.925 billion of the first $7.500 billion to fully earn their share of the Fort Hills Project. UTS' current cash and cash equivalents, including sales proceeds released from escrow in 2010, when combined with the remaining earn-in, leaves UTS extremely well positioned to respond to the funding requirements of both the Fort Hills Project and its portfolio of other development opportunities.

Fort Hills Partnership Commitment for First $7.5 Billion

($millions except percentages)	Partner Interest After Earn-ins Percent	Partnership Commitment to First $2.5 Billion	Partnership Commitment to Next $5.0 Billion	Partner Commitments
Suncor	60%	$1,550	$3,375	$4,925[1]
Teck	20%	850	1,375	2,225[2]
UTS	20%	100	250	350
Total:	100%	$2,500	$5,000	$7,500

Notes:

1. Includes Suncor's original earn-in funding of $0.675 billion of which $0.323 billion has been spent on UTS' behalf and a further $0.352 billion is committed to UTS' funding of the next $5.0 billion.
2. Includes Teck's original earn-in funding of $0.725 billion of which $0.373 billion has been spent on UTS' behalf and a further $0.352 billion is committed to UTS' funding of the next $5.0 billion.

Fort Hills Partnership Spend

($millions except percentages)	Approximate Contribution Percent of First $7,500 of FHP Project Spend	Partner Interest After Earn-in Percent	Fort Hills Partnership Incurred Expenditures Since Inception Until December 31, 2009
Suncor	65%	60%	$1,758
Teck	30%	20%	935
UTS	5%	20%	115
Total:	100%	100%	$2,808

Included in the cumulative spending of $2.808 billion to December 31, 2009, the Fort Hills Partners on UTS' behalf spent $0.696 billion, with $0.323 billion and $0.373 billion contributed by Suncor and Teck respectively. The earn-in for the first $2.5 billion of Fort Hills Project expenditures that the Fort Hills Partners committed to fund has been completed. Suncor and Teck are committed to spend a further $0.704 billion on behalf of UTS to fulfill their remaining commitment to earn-in II on the next $5.0 billion of expenditures.

UTS continues to assess a number of configurations and timing of capital expenditures to arrive at the best combination for meeting its funding requirements beyond the first $7.5 billion. These financing options include borrowings both in the public and private banking/bond market, equity and asset transactions.

In compliance with generally accepted accounting principles ("GAAP") none of the $1.4 billion of earn-ins I and II are reflected on UTS' Balance Sheet as an asset. However, UTS will receive 20 percent of the cash flows upon commencing operations for its 20 percent working interest even though the Company will contribute less than 20 percent of the Fort Hills Project's expenditures as determined by the final cost of Phase I of the Fort Hills Project. This will significantly enhance UTS' economic return in the Fort Hills Project.

The terms of the Fort Hills Partnership Agreements provide that if the Fort Hills Partnership were to determine that the Fort Hills Project will not proceed, which would be a decision requiring unanimous agreement amongst the Fort Hills Partners, UTS would be entitled to the remaining amount of Suncor's earn-in of $0.352 billion and Teck's earn-in of $0.352 billion unless costs have exceeded $7.5 billion. The Amended and Restated Limited Partnership Agreement provides a covenant that each of Suncor and Teck shall contribute a disproportionate share of the first $7.5 billion spend on the Fort Hills Project. Default of the contribution obligation is a breach of the Agreement. Further, if a Fort Hills Partner defaults in its obligations, and fails to cure that default, then the remaining Fort Hills Partners have the right to take a portion of the defaulting Partner's working interest in the Fort Hills Project.

FORT HILLS PARTNERSHIP LEASES
(Leases 437, 438 and 634)

In addition to the leases that make up the Fort Hills Project, the Fort Hills Partnership holds Leases 437, 438 and 634 to the north-east of the Fort Hills Project Leases with a total area of 14,400 acres. UTS' working interest is 20 percent. During the 2005/2006 and 2006/2007 winter drilling seasons, a total of 96 core holes were drilled to assess the resource potential of these leases.

The results of this program suggest that the resource potential of these leases is limited. As such, these leases are expected to provide additional planning flexibility for the development of the Fort Hills Project Leases. Several options are being considered by the Fort Hills Partnership.

FRONTIER PROJECT
(Leases 311, 468, 470, 477, 610, and 840)

The Frontier Project, comprising 65,280 acres, is owned equally by UTS and Teck. The Frontier Project is located on the west side of the Athabasca River, thirteen kilometres to the north of the Equinox Project.

Following extensive infill drilling during the 2008 winter season, an independent geological evaluation established a best estimate contingent resource of 1.45 billion barrels as noted above in the section entitled "2009 Highlights – Contingent Bitumen Resources". UTS estimates costs of $2 - $3 per incremental barrel produced to move from a 12:1 TV:BIP cut-off to a 16:1 TV:BIP cut-off. This would potentially allow for an increase in recoverable resources towards the High Estimate for contingent resources of 2.55 billion barrels.

UTS and Teck are assessing development options for an oil sands mine and bitumen production facility with an estimated production capacity of 240,000 bbl/d. A Public Disclosure Document released on March 25, 2008 describes the Frontier Project and initiated the regulatory process.

FRONTIER PROJECT – Project Activities

A preliminary mine plan and scoping engineering study were completed during 2009 under Teck's direction using a combination of in-house and externally contracted resources. The study evaluated the ultimate production capacity of the Frontier mine and included development of a preliminary mine production schedule as well as screening options for location of extraction facilities, tailings ponds, and overburden storage areas; and development of a conceptual tailings management plan and reclamation plan. UTS and Teck awarded contracts for completion of a DBM study for the Frontier Project during first quarter of 2010 with the goal of preparing a regulatory application to be filed in early 2011. A field program was also conducted during the 2009/2010 winter drilling season to acquire additional data in support of the regulatory application. See "Delineation and Exploration Drilling Program Update - UTS Drilling Program Summary".

Environmental baseline studies were conducted during 2008 and 2009 and included collection of data related to wildlife, vegetation, soils, groundwater, historical resources and archaeology in the area. Additional groundwater monitoring and wildlife information is being collected in the expanded footprint area for the extraction facilities and tailings pond areas that were identified during the scoping engineering study.

An Aboriginal Consultation Plan for the Frontier Project was also prepared and accepted by the Government of Alberta. Consultation with local Aboriginal and Metis communities in Fort McKay and Fort Chipewyan on developments on the Frontier Project is ongoing.

Formal approval of the Environmental Impact Assessment's Terms of Reference was received February 11, 2009. UTS and Teck consulted with government regulators and the local communities of Fort McKay and Fort Chipewyan throughout 2009. Open houses were held in Fort McKay on October 7, 2009 and in Fort Chipewyan on November 25, 2009 to review progress to date on the Frontier Project and to receive feedback from the communities.

At present, no decisions have been made regarding product quality specifications, marketing and transportation arrangements, or joint development with other area operators. In parallel with the above activities, UTS continues to assess other strategic options for maximizing the value of the Frontier Project.

EQUINOX PROJECT
(Lease 14)

The Equinox Project, comprising 7,146 acres owned equally by UTS and Teck is located across the Athabasca River directly west of the northern boundary of the Fort Hills Project and is immediately adjacent to the oil sands leases associated with the Pierre River Mine proposed by Shell. An independent audit established a contingent resource best estimate of 0.33 billion barrels at the end of 2008, with no material changes or updates made to the audit of the Equinox Project in 2009 as reflected in the Sproule Report, as described above in the section entitled "2009 Highlights – Contingent Bitumen Resources".

UTS and Teck are assessing the potential for developing the Equinox Project as a satellite operation that would become a fourth phase to the Frontier Project. A Public Disclosure Document released on March 25, 2008 described the Equinox Project and initiated the regulatory process.

EQUINOX PROJECT - Project Activities

A DBM engineering study was initiated in the second quarter of 2008 to advance scoping studies completed in 2007 to the next stage of definition. A draft of this study is under review by the partners but will not be finalized until the potential to develop the Equinox Project as a satellite bitumen froth production facility to the Frontier Project has been evaluated.

In addition to this scoping study, an assessment was also completed on the potential to integrate the Equinox Project and Frontier Projects. The assessment indicates that Equinox could be integrated as a fourth phase of the Frontier Project with some capital cost efficiencies.

Baseline environmental and historical resources studies have been completed for the Equinox Project Area. Water management and reclamation plans to support the mine application for the Equinox Project have also been completed.

Proposed Terms of Reference for an Environmental Impact Assessment were prepared by UTS and Teck and published for public comment by the regulatory authority. On February 11, 2009, AENV issued the final Terms of Reference.

An Aboriginal Consultation Plan for the Equinox Project was also prepared and accepted by the Government of Alberta. Consultation with local Aboriginal and Metis communities in Fort McKay and Fort Chipewyan on developments on the Equinox Project is ongoing.

The Equinox Project team is also co-operating with adjacent leaseholders to plan for all weather access to the area. In parallel, studies are in progress to assess alternatives to reduce the environmental footprint of oil sands mining operations and address the requirements of the new ERCB Tailings Directive.

At present, no decisions have been made regarding product quality specifications, marketing and transportation arrangements, or joint development with other area operators. In parallel with the above activities, UTS continues to assess other strategic options for maximizing the value of the Equinox Project.

FROTH TREATMENT PILOT PLANT

The SGS Canada Inc. owned Fort McKay pilot plant was commissioned during May 2009 with piloting proceeding throughout the summer utilizing ore from the Frontier and Equinox Projects. The program enabled Teck and UTS to observe the processing characteristics of ore from both the Frontier and Equinox Projects. This experience provided invaluable technical information that will be incorporated into the DBM study planned for 2010.

Piloting concluded in August 2009, slightly ahead of schedule, with all technical milestones achieved. Teck and UTS have now jointly developed the expertise to design and operate a high temperature paraffinic froth treatment process. Analysis of the final data set will continue into early 2010 as plans are developed.

CURRENT OPERATIONS

UTS is a development stage enterprise whose main activities are the development of its extensive oil sands leases. At this time, UTS does not have any production revenue, and is not expected to, until production commences at the Fort Hills Project or one of its other projects. The Company's financial results are reported in Canadian dollars based on Canadian GAAP.

UTS' net income for the quarter ended December 31, 2009 was $159,159,223 or $0.34 per share, compared with a net loss of ($10,577,328) or ($0.02) per share, for the same period in 2008. The net income for the year ended December 31, 2009 was $119,865,141 or $0.25 per share, compared to $(11,899,153) or $(0.03) per share for the same period in 2008. Significant

items included in the determination of the net earnings (loss) and the changes between the comparative periods are described below.

The sale of UTS' 50 percent working interest in Leases 421, 022 and 023 in the fourth quarter of 2009 to Imperial Oil and ExxonMobil for $250 million resulted in a gain on sale of $231 million and resulted in net income for 2009. Although the transaction had closed, the sale proceeds were held in escrow with legal counsel on December 31, 2009 and were received in January 2010.

Interest income decreased significantly over the prior year as a result of much lower market returns being earned in 2009 over 2008. Interest income from investments totalled $1,758,377 and $10,272,161 for the years ended December 31, 2009 and 2008, respectively. Interest rates are expected to continue to remain low through 2010. Additionally, accretion of the non-interest bearing sales proceeds receivable from the disposition of 50 percent of the Equinox Project of $873,017 (2008 - $2,594,600) has been included as interest income. The final $40 million instalment of sales proceeds from the sale of 50 percent of Equinox was received in June, 2009.

General and administrative expenses ("G&A") pertain to the Company's corporate operating expense. G&A expenses during the fourth quarter of 2009 totalled $4,258,245 and $2,881,973 for the fourth quarter of 2008. G&A expensed for the year ended December 31, 2009, totalled $19,749,645 compared with $13,569,542 for 2008. Included in G&A costs are the Company's share of G&A costs which have been incurred by the Fort Hills Partnership and are not considered direct development expenses of the Fort Hills Project totalling $870,500 and $1,121,560 for the years ending December 31, 2009 and December 31, 2008, respectively. Stock based compensation included in the G&A which has been expensed totalled $1,584,951 and $2,286,093 for the quarters ended December 31, 2009 and 2008, respectively, and totalled $8,202,384 and $6,883,216 for the years ended December 31, 2009 and 2008, respectively. Therefore, cash G&A expensed totalled $2,673,294 and $595,880 for the quarters ended December 31, 2009 and 2008, respectively, and totalled $11,547,261 and $6,686,326 for the years ended December 31, 2009 and 2008, respectively. The 2008 fourth quarter G&A expenses were much lower than 2009 fourth quarter due to the fact that annual bonuses are accrued throughout the year at an estimated amount and are then adjusted to actual bonus declarations in the fourth quarter; bonuses in 2008 were substantially lower than originally estimated. The increase in overall G&A expensed was due to the decreased amount of G&A capitalization to various capital projects, due in part to the smaller exploration program undertaken this year, lower level of Fort Hills activity, and the significant amount of time spent on activities surrounding the unsuccessful take-over bid launched by Total E&P in January 2009 and the value maximization process.

G&A which is directly attributable to exploration and development activities is capitalized to property, plant and equipment. The total amount of G&A capitalized to property, plant and equipment during 2009 and 2008 totalled $7,255,953 and $10,865,442 respectively, including stock-based compensation capitalized of $2,861,013 and $6,073,502, respectively. Once again, the decrease in the amount of G&A capitalized in 2009 versus 2008 was due to the smaller exploration program undertaken in 2009, lower level of Fort Hills Project activity, and activities surrounding the unsuccessful take-over bid launched by Total E&P in January 2009 and the value maximization process. G&A recoveries from the Fort Hills Project and Teck for the years ended December 31, 2009 and 2008 totalled $1,484,496 and $1,955,447, respectively.

(C $thousands) G&A	**Quarter ended December 31, 2009**	Quarter ended December 31, 2008	**Year ended December 31, 2009**	Year ended December 31, 2008
Total G&A expensed	**$4,258,245**	$2,881,973	**$19,749,645**	$13,569,542
Stock-based compensation expense	**1,584,951**	2,286,093	**8,202,384**	6,883,216
Cash G&A expensed	**$2,673,294**	$ 595,880	**$11,547,261**	$ 6,686,326
Total G&A capitalized	**$1,931,997**	$2,051,210	**$ 7,255,953**	$10,865,442
Stock-based compensation capitalized	**674,592**	1,247,165	**2,861,013**	6,073,502
Cash G&A capitalized	**1,257,405**	804,045	**4,394,940**	4,791,940
G&A recoveries	**(485,261)**	(433,976)	**(1,484,496)**	(1,955,447)
Net cash G&A capitalized	**$ 772,144**	$ 370,069	**$ 2,910,444**	$ 2,836,493

Other expenses of $11,972,309 have been written off during the year ended December 31, 2009 (2008 - $9,318,487). Other expense comprises the following:

	2009	2008
Costs associated with unsuccessful take-over bid	$ 6,906,617	$ -
Fort Hills contract termination costs	4,985,050	8,356,000
Financing costs written off	80,642	962,487
	$ 11,972,309	$9,318,487

Costs incurred associated with the unsuccessful Total E&P take-over bid have been written off and are included as a component of other expense, totaling $6,906,617, on the Statement of Operations for the year ended December 31, 2009.

Estimated termination costs for UTS' funded portion of certain Fort Hills Project equipment supply and service agreements have been identified and written off in 2009 totaling $4,985,050. These are in addition to the $8,356,000 written off in 2008 as a result of the Fort Hills Project cost review and investment decision deferrals. Refer to the section of this report entitled "Fort Hills Project - Project Activities" for further information surrounding activities currently being undertaken with regard to the Fort Hills Project.

UTS had also commenced preliminary financing activities during the latter half of 2008. A number of independent engineering consulting firms had been engaged to work with UTS and its banking group towards financing its share of Phase I of the Fort Hills Project. As a result of the cost review which was undertaken by Suncor, through the wholly owned operating entity, PCOSI, and the resultant delay in a final investment decision being taken by the Fort Hills Partners, costs incurred in this regard totaling $962,487, have been written off as Other Expense in the Statement of Income (Loss) for the year ended December 31, 2008 and a further $80,642 was written off in 2009.

Increased depreciation and amortization charges recognized during 2009 reflect the increased degree of uncertainty surrounding the probability of realizing future benefits from certain costs incurred and capitalized as property, plant and equipment. Due to the deferral of the investment decisions on both the mining and upgrading portions of the Fort Hills Project, upgrader costs, with the exception of tangible items and land, and certain mine area costs are being considered impaired and have been written off. The Company's portion of impairment expense, the majority of which was funded at 4 percent and totals $31,945,270, is included in depreciation and amortization expense in the Statement of Loss, Comprehensive Loss and Retained Earnings for the year ended December 31, 2009. During the latter part of 2008, an initial $5,266,560 of costs incurred had been identified as impaired and written down in a similar manner.

During the quarter ended December 31, 2009, a future income tax increase of $7,869,942 was recognized due primarily to the use of tax pools to offset taxes payable in 2009 as a result of the sale of the Lease 421 Area. Current taxes payable for 2009 are estimated at $42 million.

SELECTED FINANCIAL INFORMATION

Year ended December 31,	**2009**	2008	2007
Total assets	**$1,029,471,658**	$870,289,918	$846,163,805
Total long-term financial liabilities	**2,738,800**	3,642,200	1,479,600
Total revenues[1]	**233,862,445**	12,871,561	191,574,311
Cash dividends declared	**Nil**	Nil	Nil
Income (loss) from continuing operations:			
Total	**119,865,141**	(11,899,153)	137,371,596
Basic per share basis	**0.25**	(0.03)	0.32
Diluted per share basis	**0.25**	(0.03)	0.31
Net income (loss):			
Total	**119,865,141**	(11,899,153)	137,371,596
Basic per share basis	**0.25**	(0.03)	0.32
Diluted per share basis	**0.25**	(0.03)	0.31

Note:

1. Reflects interest income only for all periods with the exception of 2009 and 2007, during which gains on disposition of property, plant and equipment and oil sands lease interests totalling $231.2 million and $184.2, respectively, were recorded. UTS is a development stage enterprise and does not have any production revenue and will not, until bitumen production commences.

The primary reason for total assets having increased by approximately $183 million since December 31, 2007 is the sale proceeds relating to the aforementioned lease sales.

Long term financial liabilities comprises UTS' share of the asset retirement obligation ("ARO") associated with the Fort Hills Project Leases; ARO associated with UTS' other leases is not significant. The ARO has fluctuated over time as a result of revised cost estimates for the eventual site restoration of the Fort Hills Project's current disturbances.

Interest income comprised total revenues during the year 2008. Gains on the disposition of oil sands lease interests have accounted for additional revenues of approximately $184 million in 2007 and $231 million in 2009.

The net income of $137.4 million in 2007 arose primarily as a result of the disposition of 50 percent of Lease 14 to Teck, net of tax effects of estimated current income taxes payable for the year and increased future income tax as a result of utilizing existing tax pools to reduce current income taxes. No asset sales occurred in 2008 and therefore, since UTS currently has no production, a loss was reported. The net income of approximately $120 million in 2009 arose as a result of the disposition of UTS' 50 percent working interest in the Lease 421 Area to Imperial Oil and ExxonMobil.

Selected quarterly financial information of the Company for the last eight quarters follows:

Quarter ended	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	Jun 30 2008	Mar 31 2008
Total revenue[1]	**$231,585,360**	**$ 204,833**	**$ 766,828**	**$ 1,305,424**	$ 2,347,948	$2,972,029	$3,250,880	$4,300,704
Earnings (loss) from continuing operations:								
Total	**159,159,223**	**(4,692,762)**	**(22,521,295)**	**(12,080,025)**	(10,577,328)	(936,997)	(819,128)	434,300
Per share basis	**0.34**	**(0.01)**	**(0.05)**	**(0.03)**	(0.02)	(0.01)	(0.01)	0.01
Dilute per share basis	**0.34**	**(0.01)**	**(0.05)**	**(0.03)**	(0.02)	(0.01)	(0.01)	0.01
Net earnings (loss)[2,3,4,5]								
Total	**159,159,223**	**(4,692,762)**	**(22,521,295)**	**(12,080,025)**	(10,577,328)	(936,997)	(819,128)	434,300
Per share basis	**0.34**	**(0.01)**	**(0.05)**	**(0.03)**	(0.02)	(0.01)	(0.01)	0.01
Diluted per share basis	**0.34**	**(0.01)**	**(0.05)**	**(0.03)**	(0.02)	(0.01)	(0.01)	0.01

Notes:

1. Reflects interest income and sales proceeds accretion for all quarters with the exception of December 31, 2009, which also reflects a gain on sale of property, plant and equipment of $231,231,051. Since the final instalment of Lease 14 sales proceeds was received from Teck in June, 2009, no further accretion regarding these proceeds is recognized subsequent to that quarter. UTS is a development stage enterprise and does not have any production revenue and will not, until bitumen production commences.
2. The loss for the quarter ended December 31, 2008 was larger than usual due to $8.4 million of Fort Hills contract termination costs being expensed and lower interest income compared to previous quarters due to poor economic conditions.
3. The loss for the quarter ended March 31, 2009 was larger than usual due to the write off of $5.5 million of additional Fort Hills contract termination costs and $3.8 million of costs associated with Total E&P's unsuccessful hostile take-over bid. Interest income was significantly lower than prior year quarters as well due to poor economic conditions.
4. The loss for the quarter ended June 30, 2009 was larger than usual due to an impairment charge of $21.3 million of Fort Hills assets primarily associated with upgrader costs, the write off of $1.7 million of additional Fort Hills contract termination costs and an additional $3.1 million of costs associated with Total E&P's unsuccessful hostile take-over bid. Interest income was significantly lower than prior year quarters as well due to poor economic conditions.
5. The fourth quarter of 2009 showed net earnings due to the gain on sale of property, plant and equipment noted in Note 1 above and the resultant income tax liability.

Significant activities during 2009 comprised completion of the 2008/2009 winter drilling program, commencement of planning activities for the 2009/2010 winter drilling program, continuing to fund obligations with respect to Fort Hills as required, work surrounding the hostile take-over bid initiated by Total E&P, which has since expired, and work surrounding the value maximization process. Since UTS has no ongoing revenue producing operations to fund its activities, funding is provided by existing cash balances from previous financings and asset sales. Although the Statement of Cash Flows for the year ended December 31, 2009 shows a decrease of cash and cash equivalents of approximately $42 million, resulting from funding the additions to Property, Plant and Equipment ("PP&E") and the year to date losses, if the sales proceeds from the sale of UTS' 50 percent working interest in the Lease 421 Area being held in escrow by legal counsel and received in January 2010 are included, cash and cash equivalents would have increased over the year ended December 31, 2009 by $208 million. Although the funds were held in trust for UTS, the funds in escrow were not available for use at December 31, 2009 and are therefore not shown as cash and cash equivalents at December 31, 2009.

INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

PP&E decreased by a net amount of $716,211 in 2009 and increased by a net amount of $121,964,296 in 2008. Included as additions to PP&E are non-cash amounts, consisting of: (i) an adjustment of UTS' share of the asset retirement obligation associated with the Fort Hills Project, totalling ($903,400) and $2,162,600 for the years ended December 31, 2009 and 2008, respectively; (ii) capitalization of stock-based compensation of $2,861,013 and $6,073,502 for the years ended December 31, 2009 and 2008, respectively; and (iii) future income tax adjustments associated with capitalized stock-based compensation of $953,672 and $2,024,501 for the years ended December 31, 2009 and 2008, respectively. Deducted from PP&E amounts are Fort Hills impairment charges totalling $31,945,270 and $5,266,560 at December 31, 2009 and 2008, respectively. The remaining balance change is due to incurred exploration and development costs.

PP&E additions for the Fort Hills Project in 2009 and 2008 totalled $8,375,536 and $68,941,151, respectively. Included as additions during the years ended December 31, 2009 and 2008 are non-cash amounts, consisting of: (i) capitalization of stock-based compensation of $508,975 and $2,342,001 respectively; (ii) accretion/adjustment of UTS' share of the asset retirement obligation associated with the Fort Hills Project, totalling ($903,400) and $2,162,600, respectively; and (iii) future income tax adjustments associated with capitalized stock-based compensation of $169,658 and $780,667, respectively. Current activities at the Fort Hills site are directed towards care and maintenance of infrastructure, civil works and buildings completed during the initial construction phase over the last couple of years. Environmental baseline activities are continuing. Capital expenditures in 2008 included activities surrounding the FEED engineering activities, rough grading of the north site, initial commitments on long lead equipment orders, continuing geological work on the leases to refine selection of the optimal area for the opening cut, examining transportation options, and ongoing care and custody activities associated with the leases. As noted previously, reference should be made to the section of this MD&A entitled "Fort Hills Project - Project Activities" for further information regarding the current status of the Fort Hills Project. In the fourth quarter of 2008, $5,266,560 of PP&E was written off as it was deemed not likely to provide future benefit to the Fort Hills Project. Due to the continuing deferral of the final investment decision on the mining portion and the indefinite deferral of the final investment decision on the upgrading portion of the Fort Hills Project, a further $31,945,270 of Fort Hills PP&E was considered impaired and written off during 2009. The degree of uncertainty surrounding the probability of realizing future benefits from costs incurred to engineer and design the upgrader, has increased to a level which indicates that the majority of the upgrader costs incurred and capitalized as PP&E, with the exception of tangible items and land, be written off. These costs comprise the majority of the balance written off to date; however certain mine and equipment costs have also been written off and are included in depreciation and amortization expense in the Statements of Income (Loss), Comprehensive Income (Loss) and Retained Earnings for the years ended December 31, 2008 and 2009.

With the introduction of Suncor (formerly Petro-Canada) and Teck to the Fort Hills Partnership in 2005, the future development of the Fort Hills Project will depend on a tri-party decision making process. Certain decisions regarding the Fort Hills Project development and operations will require a majority vote of the Fort Hills Partners and some fundamental decisions will require a special vote and in some cases, unanimity. Future plans of the Fort Hills Project will depend on agreement on fundamental decisions of the Fort Hills Partners to the Fort Hills Project. The Fort Hills Partners continue to be committed to retaining the Fort Hills Project Leases.

The funding of the Company's 20 percent working interest share of Fort Hills Project expenditures by the Company's Fort Hills Partners on the Company's behalf results in the Company's PP&E balances in the financial statements increasing only by the expenditures actually funded by the Company itself during the earn-in period (i.e. - until the first $7.5 billion of Fort Hills Project expenditure has occurred). The Company funded the first $2.5 billion of Fort Hills Project expenditures at 4 percent, or $100 million and will fund the ensuing $5 billion at five percent, or

$250 million, for a total corporate spend of $350 million for the first $7.5 billion of Fort Hills Project expenditure. Thereafter, the Company will fund its 20 percent interest share of expenditures.

For the year ended December 31, 2009, Fort Hills Project spending by Fort Hills Partners on UTS' behalf, totalled $42.5 million (2008 - $459.6 million). Cumulative spending to December 31, 2009 by Fort Hills Partners on UTS' behalf totals $696.1 million. At December 31, 2009, $703.9 million of Fort Hills Project funding remains committed by Fort Hills Partners on UTS' behalf. UTS will receive 20 percent of the cash flows upon commencing operations for its 20 percent working interest, even though the Company will have paid less than 20 percent of the Fort Hills Project costs for its 20 percent interest in the Fort Hills Partnership units.

UTS' net corporate capital asset expenditures for office equipment totalled $503,680 in 2009 and $224,685 in 2008, comprised primarily of expenditures on computer equipment and new financial accounting/geology software.

PP&E additions associated with other lease interests held outside the Fort Hills Project totalled $38,308,602 and $58,065,020 for the years ended December 31, 2009 and 2008, respectively. Included as additions are non-cash amounts consisting of: (i) capitalization of stock-based compensation of $2,352,038 and $3,731,501, respectively; and (ii) future income tax adjustments associated with capitalized stock-based compensation of $784,014 and $1,243,834, respectively. The remaining incurred costs consist of lease, exploration and development costs and capitalized cash G&A. The Company continues to actively pursue the development of these and other related business opportunities.

Property, Plant & Equipment Additions	**Quarter ended December 31, 2009**	Quarter ended December 31, 2008	**Year ended December 31, 2009**	Year ended December 31, 2008
Fort Hills Project				
Exploration & development costs	**$(1,190,301)**	$18,125,698	**$ 7,970,327**	$ 57,647,891
Capitalized cash UTS G&A	**149,632**	428,877	**841,381**	1,424,049
Capitalized stock-based compensation	**95,644**	448,484	**508,975**	2,342,001
G&A recoveries	**(11,745)**	(170,923)	**(211,405)**	(682,617)
Future income tax adjustments	**31,881**	149,495	**169,658**	780,667
Accretion / adjustment of asset retirement obligation	**(1,095,200)**	2,108,600	**(903,400)**	2,162,600
	(2,020,089)	21,090,231	**8,375,536**	$63,674,591
Other Oil Sands Lease Interests				
Exploration & development costs	**1,705,615**	8,724,592	**17,621,192**	45,899,439
Capitalized cash G&A	**1,107,774**	375,167	**3,553,559**	3,367,891
Capitalized stock-based compensation	**578,948**	798,681	**2,352,038**	3,731,501
G&A recoveries	**(473,516)**	(263,053)	**(1,273,091)**	(1,272,830)
Future income tax adjustments	**192,983**	266,227	**784,014**	1,243,834
New leases[1]	**15,270,890**	95,510	**15,270,890**	5,095,185
	18,382,694	9,997,124	**38,308,602**	58,065,020
Corporate Furnishings & Equipment	**450,667**	135,892	**503,680**	224,685
Total	**$16,813,272**	$31,223,247	**$47,187,818**	$121,964,296

Note:

1. In the fourth quarter of 2009, UTS acquired a 100 percent interest in certain oil sands leases for a total of $15.2 million.

On November 2, 2009, UTS announced the disposition of its 50 percent working interest in the 421 Lease Area located east of the Firebag River in north-eastern Alberta to Imperial Oil and

ExxonMobil for $250 million. The gain on sale, after deducting the costs incurred to date on those properties and costs of the disposition, was $231 million. The closing of this transaction was announced on November 19, 2009. The funds were held in escrow over the yearend and were released to UTS in January 2010.

SUMMARY OF CONTRACTUAL OBLIGATIONS

The long term obligations comprise long term liabilities of the Company with indeterminate settlement dates.

		Payments Due By Period			
Contractual Obligations	Total	under 1 year	1 – 3 years	4 – 5 years	after 5 years
Operating leases[1]	2,686,000	1,083,000	1,603,000	Nil	Nil

Note:

1. During 2008, the Company renewed its head office premises lease for a further term of three years commencing June 1, 2009, which is reflected in the figures above.

OUTSTANDING SHARE DATA

The following common shares were outstanding at December 31, 2009 and March 23, 2010:

	Number of Shares	Consideration
Outstanding, December 31, 2009	474,538,328	$586,446,225
Issued on exercise of Stock Options	35,000	23,000
Outstanding, March 23, 2010	474,573,328	$586,469,225

The following equity awards, entitling the holders to acquire common shares of the Company, were outstanding at March 23, 2010:

	Range of Exercise Price	Weighted Average Exercise Price	Number Outstanding	Number Exercisable
Incentive Stock Options[1]	$0.30 – 6.53	$4.17	21,581,166	14,981,706
Share Appreciation Rights[2]	0.30 – 7.42	2.58	947,749	847,749
Deferred Share Units[3]	n/a	n/a	1,565,818	1,565,818

Notes:

1. The shareholders of the Company approved, at the Annual and Special Meeting of Shareholders held May 17, 2007, an amendment to the Company's Incentive Stock Option Plan (the "Option Plan") to increase the maximum number of common shares which may be issued pursuant to the Option Plan from 20 million to 30 million common shares.
2. The shareholders of the Company approved, at the Annual and Special Meeting of Shareholders held May 26, 2005, an amendment to the Company's Share Appreciation Rights Plan (the "SAR Plan") to increase the maximum number of common shares which may be issued pursuant to the SAR Plan from 2.5 million to 3 million common shares.
3. The shareholders of the Company approved, at the Annual and Special Meeting of shareholders held May 27, 2007, an amendment to the Company's Deferred Share Unit Plan ("DSU Plan") under which the Company may grant deferred share units ("DSUs") to non-executive directors and selected employees. The maximum number of deferred share units available for issuance under the DSU Plan is 5.5 million DSUs. In May 2008, 382,645 DSUs were issued subject to certain performance criteria being achieved prior to availability for redemption. These units are not included in the number exercisable shown above.

CRITICAL ACCOUNTING ESTIMATES

EVALUATION OF IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

As of the December 31, 2008 fiscal year-end, the poor state of the economy and uncertainty associated with the progress/status surrounding the Fort Hills Project had been taken as indicators that UTS should test its oil sands assets for potential impairment and recorded impairment on the Fort Hills assets totaling $5,266,560. No further events or changes have occurred that would indicate further impairment of assets, except as discussed below.

Due to the continuing deferral of the final investment decision on the mining portion and the indefinite deferral of the final investment decision on the upgrading portion of the Fort Hills Project, a further $31,945,270 of Fort Hills PP&E, the majority of which was funded at 4 percent, was considered impaired and written off during 2009. The degree of uncertainty surrounding the probability of realizing future benefits from costs incurred to engineer and design the upgrader, has increased to a level which indicates that the majority of the upgrader costs incurred and capitalized as PP&E, with the exception of tangible items and land, be written off. These costs comprise the majority of the balance written off to date; however certain mine and equipment costs have also been written off and are included in depreciation and amortization expense in the Statement of Loss, Comprehensive Loss and Retained Earnings for the years ended December 31, 2008 and 2009. As part of this process, some existing equipment supply and service agreements have been suspended or terminated, resulting in estimated contract termination costs, of which UTS' funded portion of $4,985,050 was written off December 31, 2009.

INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

ASSET RETIREMENT OBLIGATION

The undiscounted, inflated future cash flow estimate for ARO for the Fort Hills Project has been revised to $70.5 million from $125.9 million. Using assumptions that estimate the life of the Fort Hills Project to be 40 years, an inflation factor of 1.025 percent and a credit adjusted risk-free interest rate discount factor of 7 percent, the fair value of the Company's 20 percent share of the accrual for site restoration costs has been estimated as follows:

Balance, December 31, 2007	$1,479,600
Obligations incurred	2,142,400
Accretion	72,000
Change in estimate	(51,800)
Balance, December 31, 2008	$3,642,200
Obligations incurred	-
Accretion	255,600
Change in estimate	(1,159,000)
Balance, December 31, 2009	$2,738,800

ARO associated with UTS' other leases is not significant.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2009, the Company adopted CICA Handbook accounting standard Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The adoption of this standard did not have any impact on the Company's financial results.

CICA Handbook accounting standard Section 3862, Financial Instruments Disclosures, has been revised to enhance disclosures around fair value measures of financial instruments effective for the Company's 2009 annual financial statements. Items measured at fair value are required to be placed into one of three categories as follows: (i) Level 1 - fair value determined from quoted prices; (ii) Level 2- fair value determined principally from quoted prices; or (iii) Level 3 - fair value not based on observable market data. Prescribed disclosures surrounding the respective classes of financial instruments and levels are required and have been included in Note 14 to the financial statements for the year ended December 31, 2009.

Effective for fiscal years commencing on or after January 1, 2011, the Company will be required to adopt CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which sections provide guidance on accounting for business combinations, the presentation of consolidated financial statements and accounting for non-controlling interests. The Company will assess the impact of these standards on its financial statements as part of its transition to International Financial Reporting Standards.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents a change to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking which may materially affect the Company's reported financial position and results of operations. The Company has drafted an IFRS Transition Plan ("IFRS Plan") and an assessment of the impact of IFRS on the entity, its processes and its financial reporting is well underway.

The first phase of the IFRS Plan was to perform a diagnostic review, the purpose of which was to analyze, identify and assess the overall effort required by the Company to produce financial information on an IFRS basis. Areas which will likely be significantly impacted by the adoption of IFRS were identified and a qualitative overview of likely financial statement impacts and potential difficulties with systems or processes which may arise when addressing the differences between IFRS and current Canadian GAAP was performed. A brief summary of the diagnostic review is included below under the heading "IFRS Diagnostic Summary".

The second phase of the IFRS Plan being undertaken is to prepare a work plan for the areas of significance identified above. Component evaluations for each significant area are being performed. Each component evaluation will consist of the following:

- Definition of a starting point by summarizing Canadian GAAP as currently used;
- Definition of IFRS accounting policies for the component;
- Narrative summarization of differences between current GAAP and IFRS;
- Identification of issues or data gaps to be dealt with;
- Summary of action items and identification of interdependencies with other components;

- Communication/training needs; and
- Effects on internal controls/disclosure controls.

The evaluation phase is well underway and will be substantially completed in the first half of 2010. Analysis of the Company's financial data is also currently underway; any data capture/procedural/internal control deficiencies or issues which have been or will be identified throughout the process, will be remediated as encountered. A new financial accounting system is currently being implemented, which is designed to enable reporting under either IFRS or current Canadian GAAP. The Company will endeavor to provide comprehensive, meaningful updates to its shareholders and interested parties regarding its progress towards IFRS implementation in each MD&A going forward.

IFRS DIAGNOSTIC SUMMARY

The first phase diagnostic review identified a number of areas which will likely be significantly impacted by IFRS adoption.

Joint Venture Activities

The majority of UTS' development activities currently occur via joint ventures - UTS' 20 percent working interest in the Fort Hills Project is held within the Fort Hills Partnership, and the other exploration activities and leases are owned on a 50/50 basis with Teck. IFRS classifies joint ventures into three classes; jointly controlled operations, jointly controlled assets and jointly controlled entities. The Fort Hills Project is a jointly controlled entity as it is held within a limited partnership structure. Currently, IFRS would permit a choice between accounting for a jointly controlled entity using proportionate consolidation or equity accounting. IFRS Exposure Draft 9 is proposing that jointly controlled entities be required to apply the equity method of accounting, in which case the investment in the Fort Hills Project would become a one-line entry on the balance sheet comprising investment advances less equity in earnings. The joint venture activities with Teck are in the nature of jointly controlled assets and operations, which would still likely qualify for the current accounting treatment of proportionate consolidation, should the proposals in Exposure Draft 9 become final. This instrument is now not expected to be effective until 2012, one year later than originally expected.

Property, Plant & Equipment

UTS' PP&E balances comprise primarily capitalized oil sands lease acquisition costs, exploration and evaluation costs and capitalized G&A. Certain types of expenditures capitalized within PP&E may also be subject to differing accounting treatment under IFRS. The International Accounting Standards Board ("IASB") has an extractive industries project underway which will not be completed until after Canada has adopted IFRS. Until then, IFRS 6 is a standard which deals explicitly with exploration for and evaluation of mineral resources and which provides for the ability to capitalize certain exploration and evaluation expenditures ("E&E") in a manner largely similar to UTS' current treatment of such expenditures. Expenditures incurred prior to holding any rights to explore an area of interest are to be expensed under IFRS; any such expenses identified will be recognized through retained earnings as part of the opening balance sheet reconciliation on transition. Certain E&E expenditures have been incurred and capitalized by UTS prior to acquiring ownership of oil sands leases and will require expense treatment upon transition to IFRS.

IFRS 6 permits capitalization of E&E incurred after acquiring the rights to explore (oil sands lease) up until E&E activities are complete, which is generally taken to mean once the existence of commercially viable reserves is known. At this point in time, costs incurred to date by UTS have been primarily lease acquisitions and E&E expenditures, which have been capitalized as PP&E.

Once it has been determined that commercially viable reserves exist in an area, the E&E costs associated with the area are then classified as development assets and then become subject to the normal IFRS rules for assets from that point on, including normal impairment testing rules. Areas which do not possess commercially viable reserves must be written down to the higher of fair value less cost to sell and value in use. Development expenditures are costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing bitumen and/or oil and should be capitalized if necessary to bring the property into commercial production. They are originally measured at cost of the entity to purchase or construct and then a policy choice must be made for years subsequent to transition to either carry the asset at cost less accumulated depletion/depreciation and accumulated impairment losses or to revalue the asset at fair value if it can be reliably measured.

UTS also capitalizes a portion of its G&A under current Canadian GAAP. IFRS does not permit general overhead capitalization; any costs capitalized must have been directly attributable to the asset and would not have been incurred otherwise. UTS is currently analyzing its capitalized G&A to determine which will qualify for capitalization under IFRS.

IFRS 1 provides for certain exemptions to be applied on the date of transition. One of these exemptions permits an entity to use fair value of each asset as its deemed historical cost going forward from transition date instead of analyzing all historical costs. Some further analysis surrounding IFRS 1 exemptions remains to be done.

IFRS requires impairment testing on PP&E assets similarly to when current Canadian GAAP does. Current Canadian GAAP however permits testing at a higher level than IFRS does; IFRS requires testing to occur by the cash generating units ("CGU"), the smallest group of assets generating cash flow independently from other assets, which will likely be a mining project/area in the case of UTS. Unlike current Canadian GAAP, IFRS requires reversals of impairments, excluding those recognized on goodwill. IFRS 6 permits impairment testing of E&E costs to occur at a higher level than CGU, but not to exceed segment level, and is not necessarily required annually, but only required when indicators of impairment exist.

ARO under current Canadian GAAP are recognized when incurred if a reasonable estimate of fair value can be made. IFRS similarly requires such liabilities to be recognized when incurred if an estimate of fair value can be made. Current Canadian GAAP only requires legal obligations to be recorded; IFRS requires consideration of constructive obligations as well - if an entity has a policy or has set precedents of doing something not legally required as part of its decommissioning/restoration practices, these acts must also be included in the ARO. IFRS also requires current rates to be used each reporting date to discount the obligation over time, whereas current Canadian GAAP sets the discount rates when the cash flows are estimated. ARO costs are capitalized under IFRS as they are under current Canadian GAAP and must be included in IFRS impairment tests at the CGU level.

Stock-based compensation is another area in which IFRS may have significant effect; assessment of this area is ongoing. Options granted under UTS' Incentive Stock Option Plan currently vest over three years. Under current Canadian GAAP, when options are granted, the fair value is calculated using a Black-Scholes model and the value is expensed over three years on a straight-line basis. IFRS will require each annual vesting tranche to be valued separately and expensed accordingly. UTS currently recognizes the effect of forfeitures as they occur; IFRS will require an estimate of future forfeitures to be made in valuing the amount of stock-based compensation to be recognized. Since UTS is not a revenue producing entity, its Board of Directors in the past issued a resolution disallowing cash settlement of any of its stock-based instruments upon exercise; therefore all exercises are equity settled via issuance of UTS common shares and the stock-based compensation costs are credited to contributed surplus instead of accrued liabilities.

Although UTS has existed since 1976, no assets or business operations exist from that time; the oldest asset/business venture UTS is involved in today is the Fort Hills Project, the leases for

which were acquired in the mid 1990's. Therefore, there are few business combinations which UTS would need to consider upon transition to IFRS. An exemption does exist under IFRS 1, which provides for prospective application only for business combinations and which would then not require revisiting prior business combinations subject to certain requirements. Virtually all companies elect to use this exemption upon transition to IFRS; UTS will likely follow suit.

CONTROL CERTIFICATION

Revised National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" requires testing, evaluation of results, and conclusion as to the effectiveness of a company's disclosure controls and procedures and internal controls over financial reporting for reporting periods ending on or after December 15, 2008. Any material weaknesses require disclosure in the MD&A, such disclosure to be accompanied by the impact of the material weakness on the financial reporting and internal controls over financial reporting and any plans or actions undertaken to remediate the material weakness.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has designed and evaluated the effectiveness of its Disclosure controls and Procedures ("DC&P"). The President and Chief Executive Officer and the Vice President and Chief Financial Officer have concluded that DC&P are designed appropriately and are operating effectively as at December 31, 2009.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has designed and evaluated the effectiveness of its Internal Controls over Financial Reporting ("ICFR"). The President and Chief Executive Officer and the Vice President and Chief Financial Officer have concluded that the ICFR are designed appropriately and are operating effectively as at December 31, 2009. Management and the Board of Directors attempt to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to a remote likelihood of a material misstatement. There have been no changes in the Company's ICFR during fiscal 2009 that has or is likely to materially affect the Company's ICFR. Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

LIQUIDITY AND FINANCIAL RESOURCES

The Company as of March 23, 2010 has approximately $440 million in available cash and cash equivalents, sufficient financial resources to fund its working capital requirements for its share of development costs of the Fort Hills Project and exploration and drilling on UTS' other lands based on the current Fort Hills Project spend rate dependent on the final timing of and dedication of existing funds to the Fort Hills Project and its portfolio of other development opportunities.

UTS has therefore prepared its financial statements on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business. The recoverability of capitalized costs is dependent on the successful completion and operation of the various projects noted above. Capitalized costs incurred to date, less amounts recovered or written off, do not necessarily represent present or future values. The Company's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements and to eventually generate positive cash flows from its various projects. The Company's financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary were the going concern assumption inappropriate.

UTS has $4.35 million invested in notes issued in exchange for Coventree asset backed commercial paper as part of the Pan-Canadian restructuring and has recorded impairment on

these investments of $2.20 million to date. UTS has initiated and implemented a very thorough investment policy which is geared to liquidity and protection of its investment portfolio.

The development of the Fort Hills Project and UTS' lease holdings outside of the Fort Hills Project beyond the first quarter of 2014 will require the Company to continue to fund its working capital requirements, including capital and operating costs of the Fort Hills Project, through new sources. The significant sources of additional funds potentially available to the Company are borrowings in the banking/bond market, sale of other oil sands leases and possibly raising equity capital, if required.

UTS currently has no bank debt. UTS has a revolving demand credit facility of up to $15 million with a Canadian chartered bank. This facility is available to be used by way of LCs in Canadian dollars, is repayable on demand and, prior to the issuance of each LC, the Company shall deposit with and pledge to the bank an amount in Canadian dollars equal to the full face amount of the LC and shall execute and deliver to the bank in respect of the amount so deposited a cash collateral agreement. Issuance fees for LCs issued under this facility shall be 0.5 percent per annum, and any overdue fees shall bear interest at bank prime plus five percent per annum.

On December 15, 2008 an LC was posted with AENV, in the event of a default, in the amount of $13,743,150 as security in respect of the Company's 20 percent share of mine site reclamation for the Fort Hills Project. For this particular mine liability the total LC required amount is $68.72 million with each Fort Hills Partner's pro-rata share on behalf of the Fort Hills Partnership. The Operator has revised its mine liability estimate downward to $48.38 million by incorporating operational efficiencies associated with larger earth moving equipment, which AENV has approved. UTS will post its $9.68 million share of the security deposit and the $13.74 million LC currently held with AENV will be returned. On November 1, 2009, the Operator filed its most recent security estimate for a total of approximately $34.7 million, of which UTS' share would be approximately $6.94 million. The security estimate is currently under review by the AENV.

At December 31, 2008, UTS had a $940,000 LC posted with ATCO Electric Limited for the Fort Hills Bitumen Extraction and Processing Facility Electrical Interconnection. The LC was returned to the Fort Hills Partners on March 10, 2009 as the existing form of the contract has been cancelled and is being revisited.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity and bank debt as capital. The Company is currently in the development stage and earns no operating revenue; as such the Company is dependent on external financing, share issuances, asset dispositions or entrance into joint arrangements to fund its activities. The Company currently has no bank debt but has a credit line in place of $15 million, which has been used to fund the $13,743,150 in letters of credit posted by the Company. Capital managed as at December 31, 2009 and 2008 is as follows:

	December 31, 2009	December 31, 2008
Bank Credit Facility	$ 15,000,000	$ 15,000,000
Shareholders' Equity	862,719,092	731,592,971
Capital Managed	$877,719,092	$746,592,971

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or

repay bank debt, or enter into joint exploration and development arrangements with other parties. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, thereby ensuring that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the year ended December 31, 2009.

FINANCIAL INSTRUMENTS

Cash equivalents, and cash held as collateral are classified as held-to-maturity and are recorded at amortized cost. Accounts receivable and sale proceeds receivable are classified as loans and receivables and are recorded at amortized cost. Other assets are considered held-to-maturity, but are carried at estimated fair value due to impairment.

The carrying value of the Company's short-term financial instruments including cash and cash equivalents, cash pledged as collateral, sales proceeds held in escrow, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of their short-term nature. Items measured at fair value are required to be placed into one of three categories as follows: (i) Level 1 - fair value determined from quoted prices in active markets, active markets being those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis; (ii) Level 2 - fair value determined using inputs other than quoted prices found in Level 1 that are observable in the marketplace, either directly or indirectly, as of the reporting date; or (iii) Level 3 – fair value based on inputs that are less observable, unavailable or not based on observable market data.

Asset-backed commercial paper held by the Company is represented as a long term investment. Although there are certain dealers attempting to match buyers and sellers and establish some form of market for these instruments, the value assessment for these investments has been based on a model of estimated cash flows (Level 3) since there is no reliable market for these instruments at this time.

The Company's risk exposure associated with its financial instruments is summarized below.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company's financial position could be adversely affected if it failed to arrange financing for its capital expenditure programs. The Company strives to maintain sufficient financial liquidity by forecasting cash flows for current and subsequent years to identify financing requirements on an ongoing basis. Liquidity risk is currently low due to the cash and cash equivalents held by the Company as well as the Fort Hills Partnership Agreements held with Suncor and Teck whereby UTS is only required to fund $350 million of the first $7.5 billion of expenditure as the Fort Hills Partners earn their working interest in the Fort Hills Project by funding a portion of UTS' working interest expenditure. However, with current turmoil in the capital markets, market improvement is necessary to fund the remaining capital expenditures.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its holdings of asset-backed commercial paper (other assets), other cash equivalents, and accounts receivable. At December 31, 2009, the asset-backed commercial paper restructured notes are carried at an estimated fair value of $2.15 million net of

cumulative impairment charges of $2.2 million. The credit worthiness of these investments remains uncertain; default risk has been considered in arriving at the estimated fair value.

The final $40 million instalment of sales proceeds from the 2007 disposition of 50 percent of Lease 14 to Teck was received in June, 2009. At December 31, 2009 approximately $6.5 million of accounts receivable are due from joint venture partners. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditure budgets prior to expenditure.

Cash and cash equivalents held by the Company are only invested with counterparties meeting credit quality requirements and issuer and concentration limits as set out in the Company's investment guidelines. UTS' cash investment policy and guidelines are reviewed periodically and are currently very conservative, emphasizing security of assets over investment yield. Therefore, the Company's management believe that credit risk associated with these investments is minimal.

There is also an element of credit risk associated with the Fort Hills Partnership Agreements noted above in the Liquidity Risk section. If Suncor and Teck failed to discharge their obligations under those agreements, UTS could incur financial loss and therefore the Company continues to monitor credit risks and markets.

(c) Market Risk

The three components of market risk are interest rate risk, price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of any of its cash and cash equivalents is minimal because the Company's investment policy requires that cash equivalents acquired be short term in nature and investments are held through to maturity.

The Company is exposed to changes in interest rates on its credit line facility as the facility bears interest on any overdue fees at the bank's prime rate plus 5 percent. Exposure is minimal as the credit line currently has a $15 million limit which is only available to fund LCs. Interest rate risk will become more of a factor as the Company takes on more debt to fund future project expenditures.

(ii) Price risk

Although the Company is not yet a producing entity, it is exposed to price risk with respect to commodity and equity prices to some extent by virtue of their impacts on the value of the Company's prospects and the resulting impact on the Company's share price. The Company's ability to raise capital to fund future development activities is subject to risks associated with fluctuations in the price of oil, natural gas and construction inputs such as steel and labour, as well as movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity and equity prices to determine the appropriate course of actions to be taken by the Company.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments held by the Company are denominated in Canadian dollars and, as such, there is currently no currency risk associated with the financial instruments.

The Fort Hills Partnership is exposed to changes in foreign exchange rates as capital expenditures may fluctuate due to changing US and Euro currency rates. The Limited Partners bear the risk of such rate fluctuations.

OUTLOOK

UTS' current market value appears to reflect primarily its strong financial position. The recognition of future value will likely occur with the finalization of the development timeline, scope, and cost of the Fort Hills Project or UTS' other projects.

The scope and timing for the development of the Fort Hills Project will be dependent on the outcome of Suncor's re-assessment of its oil sands assets, expected to be completed during 2010. UTS will continue to discuss the development of the Fort Hills Project with the Operator and expects that significant synergies will be found from integrating the Fort Hills Project with Suncor's existing operations that will further enhance the economics and attractiveness of the Fort Hills Project for all the Fort Hills Partners.

Work on a conceptual mine plan and facilities scoping study for the Frontier Project was completed in the fourth quarter 2009. A detailed mine plan and DBM study for the Frontier Project was initiated in early 2010.

Based on its current cash position and the remaining Fort Hills Project earn-ins and assuming a two train development configuration, UTS believes it is extremely well positioned to respond to the funding requirements of both the Fort Hills Project and its portfolio of other development opportunities. If a smaller scope is adopted, UTS would be in a stronger funding position with available cash and remaining earn-in.

ALBERTA BUSINESS ENVIRONMENT AND CERTAIN RISK FACTORS

ALBERTA BUSINESS ENVIRONMENT

Previous economic forecasts of Canada's economic health began to show signs of stabilization following the turmoil in the global financial markets, slowdown in global economic growth, and extreme volatility in the global equity markets. With respect to the Canadian economy, the Bank of Canada (the "Bank") stated, in its January 2010 Monetary Policy Report, that, "The global economic recovery is underway. Economic and financial developments have been slightly more favourable than we projected in October, and the outlook for global economic growth through 2010 and 2011 is somewhat stronger."

Most recently, the Bank released the following highlights in its January 2010 Monetary Policy Report:

- Although the recession in Canada was severe, with real GDP contracting for three consecutive quarters, the magnitude of the downturn was more modest than in other major advanced economies. In particular, domestic demand held up much better in Canada than elsewhere, reflecting the soundness of Canada's banking system, relatively healthy household and corporate balance sheets, and the speed and scale of monetary policy actions.

- Economic growth in Canada resumed in the third quarter of 2009 and is expected to have picked up further in the fourth quarter. Nevertheless, considerable excess supply remains, and the Bank judges that the economy was operating about 3 ¼ percent below its production capacity in the fourth quarter of 2009.

- In Canada, the recovery is expected to evolve largely as anticipated in October, with the economy returning to full capacity in the third quarter of 2011. This recovery is still expected to be more subdued than usual. The main factors supporting the Canadian recovery are: monetary and fiscal policy support, increased confidence, a firming global economy, and higher terms of trade.

- At the same time, the persistent strength of the Canadian dollar and the low absolute level of U.S. demand continue to act as significant drags on economic activity.

- For the year as a whole, the Canadian economy contracted by an estimated 2.5 percent in 2009. It is projected to grow by 2.9 percent in 2010 and 3.5 percent in 2011.

- As a result of year-over-year increases in energy prices, total CPI inflation turned positive in the fourth quarter of 2009, as had been anticipated.

- In spite of the large amount of excess supply in the economy, the core rate of inflation has been slightly stronger than expected in recent months. This stickiness of core inflation is likely related to the fact that wage growth had remained high relative to the underlying trend in productivity.

- The core rate of inflation is projected to increase gradually, returning to 2 percent in the third quarter of 2011. Total CPI inflation is projected to follow a very similar path and return to the 2 percent target also in the third quarter of next year.

- The main upside risks to inflation are associated with the possibility of a stronger-than-anticipated global recovery and of Canadian domestic demand that is more robust and has more momentum than projected.

The global economic slowdown and lower oil price, combined with the previous escalation of oil sands capital costs, dampened enthusiasm for new oil sands development with announcement of a number of major oil sands project deferrals. However, market fundamentals are strengthening for the oil sands industry with the increase in oil price, narrowing light/heavy differentials (i.e. higher values for bitumen), lower natural gas costs, lower capital costs, and improving capital markets and investor confidence. The renewed confidence in oil sands development is reflected in several recent announcements. Imperial Oil is proceeding with site development activities for the Kearl Lake mining project and is planning expansion of its Cold Lake in-situ operations. Husky Energy Ltd./BP p.l.c. is proceeding with engineering of the Sunrise in-situ project and expects to sanction the project in 2010. In January 2010, Total E&P announced that it has sanctioned expansion of its Surmont in-situ project. Athabasca Oils Sands Corporation and Petrochina Company Limited intend to proceed toward filing applications for the commercial development of the Dover and Mckay River asset areas. At the same time, Shell announced in late January that it was slowing further development of its oil sands assets in favour of more conventional oil exploration activities.

RISK FACTORS

UTS' market value is determined largely by investor confidence in the potential for successful development and operation of the Fort Hills, Frontier and Equinox Projects. Any events that negatively impact the development schedule or project economics need to be considered risk factors. These include oil prices, development costs, possible changes to the fiscal regime, and possible changes to environmental regulations or delays in receiving regulatory approvals and lease tenure.

The following are certain risk factors related to the business of the Company. The following information is a summary only of certain risk factors.

FINANCING OF THE FORT HILLS PROJECT

Capital requirements are subject also to normal capital market risks, primarily the availability and cost of capital. As discussed elsewhere in this report, UTS' ability to finance its share of the Fort Hills Project development costs is somewhat insulated from the current uncertainty in global financial markets given that it has secured a significant portion of its share of these costs through Teck and Suncor's earn-in and its resource asset transactions

The extent to which UTS will need to access additional funding will be subject to the normal capital market risks, primarily the availability and cost of capital. Continuing improvement and sustainability of the global financial markets will be critical in determining the availability and cost of the debt financing that may be required for the Fort Hills Project. However, this situation can be significantly impacted by the final scope and timing of the various development phases. If required, UTS could bolster its financing requirements with additional equity financing.

Expectations for the future price of oil will be an important factor determining UTS' ability to access debt financing at the time that this may become necessary. Oil prices have increased up to about WTI $80/bbl during the past year, and these prices for the foreseeable future will be dependent on the strength of the global economic recovery (please refer to "Oil Prices" below).

UTS' failure to provide its share of funding would result in a corresponding reduction in its ownership interest. According to the terms of the "Fort Hills Partnership Agreements", in the event of non-payment by a partner of its share of costs and expenses for the Fort Hills Project, the non-defaulting partners will each have the option, after a cure period, to:

(i) purchase all or part of the defaulting partner'(s) interest for 80 percent of the total costs paid and accruable to the date of default; or

(ii) after 80 percent of the total costs of the initial phase of development of the Fort Hills Project have been incurred, the purchase of all or part of the defaulting partner'(s) interest in the Fort Hills Project as is noted in (i) above or the defaulting partner'(s) working interest will be reduced based upon an established formula.

The Governments of Canada and Alberta are beginning to respond to the growing public concern and international criticism of Canada's environmental record, driven in large part by oil sands development. To date, these responses have continued to stress the importance of oil sands development to Canada's economic opportunities and have had limited impact on the pace or cost of development. However, future initiatives could have a more significant impact on the cost of oil sands development and hence the availability of financing for such developments.

The Operator is addressing these concerns within the design of the Fort Hills Project and is working closely with government officials and other stakeholders, including aboriginal communities, to minimize the associated risks.

The ERCB's new tailings Directive 074 will affect the planned operations of the Fort Hills Project. PCOSI, as Operator, has addressed the new requirements of this directive through adjustments to

the mine plan and tailings management plan. UTS believes that any incremental costs associated with these initiatives can be managed within the current scope of the Fort Hills Project.

MANAGEMENT OF THE FORT HILLS PROJECT

According to the Fort Hills Partnership Agreements, major decisions regarding the scope of the Fort Hills Project and the associated plan of development are made by the Management Committee, reflecting the ownership interests of the three Fort Hills Partners. UTS continues to participate actively in the Management Committee and all the Fort Hills Project Subcommittees and, in addition, works closely with the other Fort Hills Partners to provide strategic direction and input into the Fort Hills Partnership. The Fort Hills Partnership must unanimously agree to any change in the development of the Fort Hills Project from what is described in Section 2.9 of the Amended and Restated Limited Partnership Agreement. The obligation to contribute by each of the Fort Hills Partners is an obligation to the Fort Hills Partnership. A breach of that obligation would have to be pursued by the Fort Hills Partnership. This process could take an extended period of time and requires the co-operation of the Fort Hills Partnership. If a Fort Hills Partner is in default, it loses its right to vote. Also, default mechanisms allow the non-defaulting parties to have the right to elect to purchase at a discount a pro rata share of the defaulting partner's working interest.

PERSONNEL

The design, development and construction of, and commencement of operations at, the Fort Hills Project, will require experienced executive and management personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees with the necessary expertise will be available. Should other oil sands projects or expansions proceed in the same time frame as the Fort Hills Project, the Fort Hills Project may compete with these other projects for experienced employees and such competition may result in increases to compensation paid to such personnel or a lack of qualified personnel.

Any inability on the part of the Fort Hills Project Operator to attract and retain qualified personnel may delay or interrupt the design, development and construction of, and commencement of operations at, the Fort Hills Project. Sustained delays or interruptions could have a material adverse effect on the Fort Hills Project and the financial condition and performance of UTS. In addition, rising personnel costs would adversely impact the costs associated with the design, development and construction of, and commencement of operations at, the Fort Hills Project, which could be significant and material.

COST OVERRUNS

The total costs to design, develop and construct the Fort Hills Project and commence commercial bitumen extraction operations at the Fort Hills Project have not been and will not be fully determined until the commissioning of the Fort Hills Project is completed. Further, there can be no assurance that development or construction activities will commence in accordance with expectations or at all. Delays could result in an increase to Fort Hills Project costs.

Capital costs associated with the Fort Hills Project under the Company's revised plan of development will not be fully determined until the Fort Hills Project is completed and any information concerning the capital costs to be incurred by the Company for the development of the Fort Hills Project as presently configured or under a revised plan of development is only an estimate. There is no assurance that capital cost overruns will not occur. Moreover, existing oil sands development projects have at times experienced escalating costs and significant cost overruns.

The operating costs of the Fort Hills Project, which have the potential to vary considerably, are significant components of the cost of production of the petroleum products produced by the Fort

Hills Project. If significant increases in operating costs are incurred it may have a material adverse effect on the Company.

It should be anticipated that actual costs may vary from the estimates set forth in this MD&A and any such variances may be significant. In the event of cost overruns, UTS may not have enough capital to: (i) commence the development or construction of the Fort Hills Project; or (ii) continue with the development or construction of, or (iii) complete the Fort Hills Project if development or construction activities are already underway.

UTS does not hold project delay/cost overrun insurance and, even if such insurance is available at a reasonable cost and obtained, there can be no assurance that the coverage amount will be sufficient for all cost overruns, that Suncor will be able to satisfy the conditions to making a claim under such insurance, that Suncor will be successful in asserting any claim under such insurance, or that any claims under insurance will be paid in a timely fashion.

In any case, where Suncor (and any other working interest holders) have insufficient capital to commence or continue the development or construction of the Fort Hills Project, there can be no assurance that alternate financing will be available.

LEASE TENURE

The risks associated with the Fort Hills Project Leases have been mitigated to a large extent as a result of the Lease Substitution Agreement dated March 20, 2009 between Alberta Energy and FHEC. However, there can be no assurance that the Fort Hills Project Leases would be extended beyond July 31, 2019. Under the terms of the Lease Substitution Agreement, should FHEC not meet its upgrading commitments for Phase II of the Fort Hills Project's production within Alberta, damages up to a total of $500 million are payable to the Province of Alberta. In the event that FHEC defaults on payment for the damages, the Province of Alberta has the right to cancel the new oil sands leases.

ERCB APPROVAL, AENV APPROVAL, WATER APPROVALS

The construction, operation and decommissioning of the Fort Hills Project and reclamation of the Fort Hills Project's land are conditional upon various environmental and regulatory approvals issued by governmental authorities, including but not limited to the ERCB Approval, the Alberta Environmental Protection Enhancement Act Approval and the Water Act Approvals. There is no assurance such approvals will be issued, or, once issued or renewed, that they will not contain terms and conditions which make the Fort Hills Project uneconomic or cause the Fort Hills Partners to significantly alter the Fort Hills Project. Although UTS believes that the Fort Hills Project will be in general compliance with applicable environmental and safety regulatory approvals, statutes and regulations, risks of substantial costs and liabilities are inherent in oil sands recovery and upgrading operations and there can be no assurance that substantial costs and liabilities will not be incurred or that the Fort Hills Project will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the Fort Hills Project's operations, could result in substantial costs and liabilities to UTS or delays to or abandonment of the Fort Hills Project.

FHEC will be responsible for obtaining and complying with the applicable environmental and regulatory approvals, compliance with the applicable laws and regulations regarding environmental protection and operational safety laws and regulations, and all associated costs, which could be substantial.

The revised design basis for the Fort Hills Project was partially approved by government regulators in late 2008 but is conditional on meeting a number of requirements including submission of a revised Environmental Assessment by December 31, 2010. There can be no assurance that:

- amendments to existing regulatory approvals or additional regulatory approvals as may be required for the Fort Hills Project to proceed according to the current design basis will be available in a timely fashion, with acceptable terms and conditions, or at all; or

- the revised Environmental Assessment will be acceptable to the government regulators and not result in the requirement for further public hearing resulting in project delay. The regulatory approval process can involve stakeholder consultation, environmental impact assessments and public hearings, among other things. In addition, regulatory approvals may be subject to conditions including security deposit obligations and other commitments. Failure to obtain the necessary regulatory approvals or amendments to existing regulatory approvals, or failure to obtain them on a timely basis or with acceptable terms and conditions, could result in delays and abandonment or further restructuring of the Fort Hills Project and increased costs, all of which could have a material adverse effect on UTS.

ABANDONMENT AND RECLAMATION COSTS

Reclamation security estimates have been filed with AENV annually in order to secure the financial liability of the current reclamation obligation at the Fort Hills Site. On December 15, 2008 a LC was posted with AENV, in the event of a default, in the amount of $13,743,150 as security in respect of the Company's 20 percent share of mine site reclamation for the Fort Hills Project. For this particular mine liability the total LC required amount is $68.72 million with each Fort Hills Partner's pro-rata share on behalf of the Fort Hills Partnership. The Operator has revised its mine liability estimate downward to $48.38 million by incorporating operational efficiencies associated with larger earth moving equipment, which AENV has approved. UTS will post its $9.68 million share of the security deposit and the $13.74 million LC currently held with AENV will be returned. On November 1, 2009, the Operator filed its most recent security estimate for a total of approximately $34.7 million, of which UTS' share would be approximately $6.94 million. The security estimate is currently under review by the AENV.

Estimates of the abandonment and reclamation costs will be a function of regulatory requirements at the time and the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. Consequently, the estimates may or may not accurately reflect these future costs. A breach of such legislation and/or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. In addition, in the future the Operator may determine it prudent or be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs which funds would be a cost of the Fort Hills Project.

EQUINOX/FRONTIER PROJECTS

Many of the risks associated with the Equinox and Frontier Projects are similar to those of the Fort Hills Project. UTS accepts that achieving and maintaining strong relationships with the local communities, including the aboriginal communities, will be a key factor in its success, and that the associated costs to meet the various government initiatives and stakeholder concerns must be managed to ensure that it will be granted approval to develop its oil sands resources.

UTS is seeking to reduce project development risk through a series of initiatives being undertaken jointly with Teck, including related studies, to ensure it understands the technical and economic tradeoffs associated with meeting emerging needs. These studies include capture and management of greenhouse gases, reduction of natural gas consumption, and assessing options for better management of tailings.

UTS and Teck are undertaking an engaged outreach program with government regulators and stakeholder communities to ensure it gains a strong understanding of their concerns and reach agreement on how we will attempt to address these concerns within project design parameters. For example, UTS sought early and direct input from the aboriginal communities into the Terms of

Reference for the Environmental Impact Assessments for the Equinox and Frontier Projects issued by AENV. Similarly, UTS and Teck are working closely with AENV as we develop our plans for the Equinox and Frontier Projects.

UTS EXPLORATION AREAS

In the recent publication, ST98-2009: Alberta's Energy Reserves 2008 & Supply/Demand Outlook 2009-2018, the ERCB has expanded the boundaries of the SMA to include additional resources associated with approximately 332,500 acres of land to the north of the previously defined SMA. The expanded SMA now incorporates the Frontier Project Area, reflecting the positive results from the drilling programs conducted jointly by UTS and Teck over the last four winter seasons.

Other UTS/Teck exploration leases are at a preliminary stage of evaluation and, as a result of the limited well control, the exploration risks associated with such leases are higher than those historically associated with oil sands opportunities and the value of these leases will be dependent on discovering oil sands deposits with commercial potential.

Given the fact that UTS has not completed its drilling and analysis of core holes in respect of its various exploration leases, any resource estimates may vary from actual in place resources and any such variation may be material. These uncertainties will be reduced as additional core holes are drilled and evaluated and the resource estimates are refined.

HYDROCARBON RESOURCES

As noted previously in this report, Sproule prepared independent evaluations, audits or reviews of UTS' contingent bitumen resources for the Fort Hills and Frontier Projects as at December 31, 2009. For the Equinox Project, Sproule prepared a geological audit as of December 31, 2008 and as there were no material changes to the audit of the Equinox Project in 2009, no updates were made to the Sproule Report in respect of the Equinox Project. There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond UTS' control, and no assurance can be given that the indicated level of resources will be realized. In general, estimates of contingent resources are based upon a number of factors and assumptions made as of the date on which the resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable bitumen and the classification of such resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Estimates with respect to resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources.

OIL PRICES

The Company's financial results will be dependent upon the prevailing price of crude oil and natural gas. Oil prices fluctuate significantly in response to regional, national and global supply and demand factors beyond the control of the Company. Political and economic developments around the world can affect world oil supply and oil prices. Low oil prices could impact UTS' liquidity.

Any prolonged period of low oil prices could result in a decision by the Company or the Fort Hills Partners to suspend or reduce the proposed production. Any such suspension or reduction of

proposed production would result in a corresponding substantial decrease in the Company's revenues and earnings and could materially impact the Company's ability to meet its debt servicing obligations and could expose the Company to significant additional expense as a result of any future long-term contracts. If production was not suspended or reduced during such period, the sale of the petroleum products produced at such reduced prices would lower the Company's revenues.

ROYALTY REGIME

In the event that the Fort Hills Project is developed and becomes operational under a revised plan of development, the Company's revenue and expenses will be directly affected by the royalty regime applicable to the Fort Hills Project. The economic benefit of future capital expenditures for the Fort Hills Project is, in many cases, dependent on a satisfactory royalty regime. There can be no assurance that the Government of Canada and Alberta will not adopt a new royalty regime which will make capital expenditures uneconomic or that the regime currently in place will remain unchanged. As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind, as it does currently for conventional oil production. The Government of Alberta will consider having a portion of its bitumen royalty in-kind volumes commercially upgraded to higher value products in the province.

OPERATIONAL HAZARDS

The development, construction and operation of the Fort Hills Project will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gaseous leaks, migration of harmful substances, blowouts and oil spills. An occurrence of this nature might result in the loss of equipment or life, as well as injury or property damage. The development, construction or operation of the Fort Hills Project could be interrupted by natural disasters or other events beyond the control of UTS.

The Fort Hills Partners are responsible for the:

(i) Fort Hills Project's response to any such occurrence; and

(ii) Fort Hills Project costs associated therewith, which could be substantial.

The Fort Hills Partnership has placed a General Liability policy with a $5 million limit to cover early development until the Wrap-Up Liability policy is placed. It cannot be assured that the Company's insurance will be sufficient to cover any such casualty occurrences or disruptions. Losses and liabilities arising from uninsured or under insured events could have a material adverse effect on the Fort Hills Project and on the Company's business, financial condition and results of operations.

Recovering bitumen from oil sands and upgrading the recovered bitumen into synthetic crude oil and other products involves particular risks and uncertainties. The Fort Hills Project is susceptible to loss of production, slowdowns, or restrictions on its ability to produce higher value products due to the interdependence of its component systems. Severe climatic conditions can cause reduced production and in some situations result in higher costs. The costs associated with SCO production are largely fixed and, as a result, operating costs per unit are largely dependent on levels of production.

GOVERNMENT REGULATION

The oil and gas industry in Canada, including the oil sands industry, operates under federal and provincial statutes and regulations governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the export of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields and mine sites (including restrictions on

production) and possible expropriation or cancellation of lease rights. The regulatory scheme as it relates to oil sands, and the recovery and marketing of bitumen or bitumen by-products from oil sands is somewhat different from that related to conventional oil and gas in general.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing statutes or regulations, the implementation of new statutes or regulations or the modification of existing statutes or regulations affecting the crude oil and natural gas industry could impact the markets for crude oil and natural gas, delay or stop the development of the Fort Hills Project, or increase the Company's costs and have a material adverse impact on the Company.

For example, the ERCB Directive 074 will affect the planned operations of the Fort Hills Project. PCOSI, as Operator, has addressed the new requirements of this directive through adjustments to the mine plan and tailings management plan. UTS believes that any incremental costs associated with these initiatives can be managed within the current scope of the Fort Hills Project.

ENVIRONMENTAL CONSIDERATIONS

The operations of the Company are, and will continue to be, affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Should there be changes to existing statutes or regulations, the Company's competitive position within the oil sands industry may be adversely affected, as many industry players have greater resources than UTS.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact UTS' ability to develop and operate its projects or increase or maintain production or will not increase unit costs of production, or to realize other business opportunities from its exploration leases. Equipment from suppliers which can meet future emission standards may not be available on an economic or timely basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation which would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, which UTS may be unable to mitigate.

The Company has implemented programs that support an environmental management system, including impact assessments, audits, compliance, reporting and regulatory updates. It co-operates fully with the other oil sands developers in an attempt to manage and mitigate cumulative environmental impacts of the oil sands development, including such matters as sharing the allowable water withdrawals from the Athabasca River and reducing demand during low flow periods through the use of measures such as off-stream water storage.

GREENHOUSE GASES

Greenhouse gas emissions continue to be a concern of the environmental non-government organizations and the public. The oil sands, like other industries, emit carbon dioxide as part of the requirements for mining (mobile mine trucks) and bitumen extraction (heat for hot water). Currently, oil sands production accounts for less than 5 percent of Canada's Greenhouse Gas emissions. To put this in context, transportation and coal-fired power plants represent 38 percent of Canada's Greenhouse Gas emissions according to Environment Canada's National Inventory Report dated April 2009. Improvements in the efficiency of mining and extraction processes in the industry have resulted in a 27 percent reduction in emissions per barrel since 1990.

In June 2007, the Government of Alberta passed its *Climate Change and Emissions Management Act*. The accompanying Specified Gas Emitters Regulation, that applies to companies which emit more than 100,000 tonnes of greenhouse gases per year (equivalent to a 5,000 bbl/d oil sands operation), requires such companies to reduce their greenhouse gas emission intensity by 12 percent over a six year period beginning July 2007. For new and upcoming projects, the regulations will be phased in, and not start until the fourth year of production for these projects

allowing for an emissions baseline to be determined. Year three of production will become the baseline, and the 12 percent reduction target will be phased in at two percent per year.

In the event that a company is not able to meet the targets set forth in the *Climate Change and Emissions Management Act*, companies have two alternatives:

- pay $15 per tonne for every tonne of GHG emissions above the 12 percent target; or
- invest in Alberta-based projects that reduce or offset emissions on their behalf.

UTS has factored the costs of meeting this requirement into its financial and economic models. It is also assessing the costs of ensuring that its oil sands projects are CO_2 capture ready and the associated costs for sequestering such greenhouse gases.

The Government of Canada has concluded that Canada could not meet its commitment to the Kyoto Protocol. Notwithstanding this, on March 10, 2008, the Government of Canada released details of a regulatory framework to address greenhouse gas emissions with an expectation that, after consultation, final regulations would be in place by January 1, 2010. On June 12, 2009, details of a proposed offset system for greenhouse gas emissions were published.

On March 31, 2009, the US Government released the draft *"American Clean Energy and Security Act of 2009"*. This has been passed in the House and is currently in the committee stage. On September 30, 2009, the draft *"Clean Energy Jobs and American Power Act"* was published, proposing somewhat tougher regulation than the forerunner bill.

On January 30, 2010, the Government of Canada announced that it will accept a new national target of a 17 percent reduction from 2005 greenhouse gas emissions by 2020, consistent with the Copenhagen Accord, and aligned with the US target. The Government of Canada has also announced that its specific strategy for achieving this target will be aligned with US government strategies. At this time, there is no indication as to how the new target will be applied to existing oil sands operations or what impact it may have on future development of the oil sands nor its impact on the previously proposed regulatory framework. However, the Government of Canada has stated that it will not allow new greenhouse gas emission regulations to jeopardise the development of the oil sands.

At present, there is no assurance that any new federal government legislation related to reducing greenhouse gas emissions will be aligned or harmonised with Alberta's. In such case, the costs of meeting new federal government requirements could be considerably higher than Alberta's current requirements, with material adverse impacts on UTS' planned operations. Furthermore, such required reductions may not be technically or economically feasible and the failure to meet such emission reduction requirements may materially and adversely affect the Company's business and result in fines, penalties and the suspension of operations.

Mitigation of the risk of future legislative or regulatory limits on the emission of greenhouse gases may include the acquisition of emission reduction or off-set credits from third parties. However, emission reduction or off set credits may not be available for acquisition by UTS or may not be available on an economically viable basis and may not be recognized or qualify under future legislative or regulatory regimes as mitigation for the emission of greenhouse gases by UTS associated operations.

INSUFFICIENT FUNDING

Significant amounts of financing will be required to fund costs associated with the:

(i) design, development and construction of the Fort Hills Project, including costs associated with satisfying the conditions of the regulatory approvals, and amendments to the regulatory approvals which may be necessary to facilitate a revised scope of future development;

(ii) development and construction of the Fort Hills Project so that commercial bitumen extraction operations commence; and

(iii) ongoing operation of commercial bitumen extraction operations at the Fort Hills Project.

We believe UTS is well financed based on current expectations of Fort Hills cost profiles, schedules and other anticipated costs. At or before such time, UTS intends to finance further capital requirements from sales of equity securities, debt securities, borrowings through its partnership arrangement with Suncor and Teck and possibly through the pledging and/or sale of UTS' interest in related assets such as the Equinox and Frontier Projects. Capital requirements are subject to capital market risks and a significant improvement in the global economies and financial markets. To the extent that the Company issues additional securities to fund its remaining share of operating and capital requirements, shareholders may suffer dilution.

SALES OF ADDITIONAL SECURITIES

UTS may issue additional common shares or other securities to finance its interest in the Fort Hills Project, the Frontier Project, the Equinox Project, UTS' exploration leases or certain of the Company's other capital expenditures. The constating documents of UTS permit it to issue an unlimited number of additional common shares. The Board of Directors of the Company has discretion to determine the issue price and the terms of issue of common shares. Such future issuances may be dilutive to investors. Holders of common shares have no pre-emptive rights under UTS' constating documents to participate in any future offerings of securities.

AVAILABILITY OF CREDIT FACILITIES AND DEBT SERVICE

A Canadian chartered bank has extended to the Company a revolving demand credit facility of up to $15.0 million available to be used by way of LC. Prior to the issuance of a LC under this facility, the Company shall deposit with and pledge to the bank an amount equal to the full face amount of the LC and shall execute and deliver to the bank in respect of the amount so deposited a cash collateral agreement. Given UTS' expectations for the costs associated with the design, development and construction of the Fort Hills Project, UTS will require a larger credit facility to finance some of the capital costs for development of the Fort Hills Project and that indebtedness under such facility would be secured by a pledge of UTS' partnership units and other related oil sands assets. In addition, it is anticipated that UTS' requirements for credit facilities to finance some of the capital costs for development of the Fort Hills Project will increase with each phase of the Fort Hills Project.

UTS anticipates that any credit facility that it might access for the purpose of financing some of its capital costs for development of the Fort Hills Project will be subject to a number of conditions precedent that must be satisfied by UTS prior to any draw down under such credit facility, including that UTS' lenders be satisfied that UTS has sufficient equity funding to complete the Fort Hills Project. There can be no assurance that at the time of obtaining a credit facility, UTS will be able to satisfy all of the applicable conditions precedent to any such credit facility, in which case UTS will not be able to access such credit facilities to satisfy its capital commitments in respect of the Fort Hills Project.

Even where adequate credit facilities are available to UTS to finance some of its capital costs for development of the Fort Hills Project, there may be risks associated with such borrowing. Variations in interest rates could result in significant changes in the amount required to be applied to debt service and would affect the financial results of operations of UTS. If the Company does not earn sufficient income from the Fort Hills Project to meet its debt service obligations, the lenders may be able to foreclose on the Company's ownership interest.

There can be no assurance that UTS will have access to credit facilities (i) that are large enough to sufficiently finance UTS' capital costs for development of the Fort Hills Project, and (ii) that are available on commercial terms acceptable to UTS, or at all. In the event that any of the foregoing

occurs, UTS may be required to seek additional sources of equity or debt in order to complete the Fort Hills Project.

TITLE RISKS

The Company is satisfied that it has good and proper right, title and interest in and to the leases that it intends to develop either held directly or indirectly through the Fort Hills Partnership or UTS and Teck, respectively. However, the Company has not obtained title opinions in respect of all of the leases and, accordingly, the Company's ownership of certain leases could be subject to prior unregistered agreements or interests or undetected claims or interests.

INDEPENDENT REVIEWS

Although third parties have prepared reviews, reports and projections relating to the viability and expected performance, it cannot be assured that these reports, reviews and projections and the assumptions on which they are based will, over time, prove to be accurate.

COMPETITION

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of oil interests and the distribution and marketing of petroleum products. The Fort Hills Project and UTS' exploration leases will compete with other bitumen producers, other producers of SCO blends and other producers of conventional crude oil. Some of the conventional producers have lower operating costs than UTS is anticipated to have. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than UTS have announced plans to enter the oil sands business and begin production of bitumen or SCO, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of SCO and other competing crude oil products in the marketplace. Depending on the levels of future demand, increased supply could have a negative impact on prices.

FOREIGN EXCHANGE

Crude oil prices are generally based on a U.S. dollar market price, while certain operating and capital costs will be primarily in Canadian dollars. Fluctuations in exchange rates between the U.S. and Canadian dollar will therefore give rise to foreign currency exchange exposure. UTS may mitigate the impact of exchange rate fluctuations on the revenue by hedging. There is no assurance that any hedging which may be undertaken by UTS will be successful and, if not successful, could result in a material adverse effect on the Company's financial condition and business.

HEDGING RISKS

The nature of UTS' operations will result in exposure to fluctuations in commodity prices. UTS may use financial instruments and physical delivery contracts to hedge its exposure to these risks. If UTS engages in hedging it will be exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. Additionally, if product prices increase above those levels specified in any future hedging agreements, the Company could lose the cost of floors or ceilings or a fixed price could limit it from receiving the full benefit of commodity price increases.

UTS may also hedge its exposure to the costs of inputs to the Fort Hills Project or UTS' exploration leases. If the prices of these inputs fall below the levels specified in any future hedging agreements, UTS could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of commodity price decreases.

ABORIGINAL CLAIMS

The legal framework describing treaty and traditional land rights is becoming more definitive following a number of recent court rulings. Addressing these rights is becoming generally more complex and time consuming, particularly following the release in late 2006 and subsequent revisions of the Government of Alberta Guidelines for Aboriginal Consultation, in which it expects industry to assume a greater responsibility to consult with aboriginal communities impacted by oil sands exploration and development activities. These requirements can result in time consuming negotiations over compensation for impacting Aboriginal rights. These negotiations can result in slowing of government approvals required to conduct UTS' normal business and indeed result in unplanned project costs.

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of UTS Energy Corporation as at December 31, 2009 and 2008 and the consolidated statements of income (loss), comprehensive income (loss), retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 23, 2010

CONSOLIDATED BALANCE SHEETS

As at December 31,	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 233,873,193**	$276,185,466
Sales proceeds held in escrow (note 4)	**250,019,044**	-
Invested cash collateral (notes 3 and 10)	**13,743,150**	14,683,150
Accounts receivable and accrued receivables	**9,165,018**	10,932,548
Corporate income taxes recoverable	**-**	4,974,307
Current portion of sale proceeds receivable (note 4)	**-**	39,126,983
	506,800,405	345,902,454
Property, Plant and Equipment (note 4)	**520,521,253**	521,237,464
Other Assets	**2,150,000**	3,150,000
	$1,029,471,658	$870,289,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 16,012,814**	$ 37,577,408
Corporate income taxes payable	**41,700,000**	-
	57,712,814	37,577,408
Future Income Taxes (note 5)	**106,300,952**	97,477,339
Asset Retirement Obligation (note 6)	**2,738,800**	3,642,200
	166,752,566	138,696,947
Shareholders' Equity		
Share capital (note 7)	**586,446,225**	585,182,107
Contributed surplus (note 7)	**42,463,397**	32,466,535
Retained earnings	**233,809,470**	113,944,329
	862,719,092	731.592,971
Commitments (note 14)		
Contingencies (note 15)		
Nature of Operations and Going Concern (note 1)	**$1,029,471,658**	$870,289,918

see accompanying notes to consolidated financial statements

On behalf of the Board:

Bruce C. Galloway
Director

Glen D. Roane
Director

UTS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS

Year ended December 31,	2009	2008
Interest	**$ 2,631,394**	$ 12,866,761
Gain on disposition of property, plant and equipment (note 4)	**231,231,051**	4,800
	233,862,445	12,871,561
Expenses		
General and administrative	**19,749,645**	13,569,542
Depreciation and amortization (note 4)	**32,347,602**	5,385,553
Other (note 12)	**11,972,309**	9,318,487
Impairment of third party asset-backed commercial paper	**1,000,000**	-
	65,069,556	28,273,582
Income (loss) before income taxes	**168,792,889**	(15,402,021)
Income taxes (note 5)		
Current (recovery)	**41,057,806**	(5,707,806)
Future	**7,869,942**	2,204,938
	48,927,748	(3,502,868)
Net income (loss) and comprehensive income (loss)	**119,865,141**	(11,899,153)
Retained earnings , beginning of year	**113,944,329**	125,843,482
Retained earnings, end of year	**$233,809,470**	$113,944,329
Net income (loss) per share - basic (note 9)	**$0.25**	$(0.03)
- diluted (note 9)	**$0.25**	$(0.03)
Weighted average common shares outstanding - basic (note 9)	**474,349,978**	473,379,139
- diluted (note 9)	**476,845,893**	473,379,139

see accompanying notes to consolidated financial statements.

UTS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

Year ended December 31,	2009	2008
Cash Provided by (Used in):		
Operations		
Net income (loss) from operations	**$ 119,865,141**	$(11,899,153)
Items not involving cash:		
Future income tax	**7,869,942**	2,204,938
Stock-based compensation expense	**8,202,384**	6,883,216
Impairment of asset-backed commercial paper	**1,000,000**	-
Depreciation and amortization	**32,347,602**	5,385,553
Gain on disposition of property, plant and equipment	**(231,231,051)**	(4,800)
Accretion of sale proceeds receivable	**(873,017)**	(2,594,600)
	(62,818,999)	(24,846)
Change in non-cash working capital	**47,709,387**	(15,116,424)
	(15,109,612)	(15,141,270)
Investing		
Net additions to property, plant and equipment	**(44,377,640)**	(116,970,253)
Net proceeds received on disposition of property, plant and equipment	**286,888,587**	40,004,800
Invested cash collateral	**940,000**	(14,683,150)
Funds in escrow	**(250,019,044)**	-
Change in non-cash working capital	**(20,832,147)**	20,725,515
	(27,400,244)	(70,923,088)
Financing		
Issue of common shares	**197,583**	2,073,746
(Decrease) in cash and cash equivalents	**(42,312,273)**	(83,990,612)
Cash and cash equivalents, beginning of year	**276,185,466**	360.176,078
Cash and cash equivalents, end of year	**$ 233,873,193**	$276,185,466
Income taxes paid (received)	**$ (5,616,501)**	$ 5,666,732
Interest received	**-**	2,807

see accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

1. Nature of Operations and Going Concern

UTS Energy Corporation (the "Company" or "UTS") is a development stage enterprise focused on the creation of shareholder value through exploration, development and production of hydrocarbon resources, mainly mineable oil sands deposits from the Athabasca Oil Sands Area in north-eastern Alberta, specifically the leases related to the Fort Hills oil sands project ("Fort Hills Project"), the Frontier Project and the Equinox Project (all of which are defined below), in addition to the potential development of the Company's other exploration lands located in Alberta's Athabasca Oil Sands Area.

UTS does not have any production revenue and will not until bitumen production begins at the Fort Hills Project. The purpose of the Fort Hills Project is to develop, mine, extract and sell the recoverable clean bitumen from certain oil sands deposits underlying approximately 46,711 acres of the contiguous oil sands Leases 008, 932 and 933 (the "Fort Hills Project Leases") in Alberta's Athabasca oil sands region approximately 90 kilometres north of Fort McMurray. Government regulators have granted the major permits and approvals required to proceed with construction and development of facilities for the production of up to 235,000 bbl/d or 190,000 bbl/d annualized of clean bitumen from these leases. Certain of these permits and approvals will require further amendment to reflect the Company's proposed plan of development that is a modification to that contemplated and authorized by the existing regulatory approvals.

Beyond the Fort Hills Project, UTS is expanding the scope of its opportunities through the continued exploration and evaluation of the development potential of its other oil sands leases. In addition to its 20% interest in the Fort Hills Project, UTS also has a 50% working interest in the Equinox oil sands mining project (the "Equinox Project") comprising 7,146 acres and a 50% working interest in the Frontier oils sands mining project (the "Frontier Project") comprising 65,280 acres. In addition to these projects, UTS holds 127,680 net acres in other exploration lands.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business. The recoverability of capitalized costs is dependent on the successful completion and operation of the various projects noted above. Capitalized costs incurred to date, less amounts recovered or written off, do not necessarily represent present or future values. The Company's ability to continue as a going concern is dependent upon its ability to fund its present and future capital requirements and to eventually generate positive cash flows from its various projects. These financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary were the going concern assumption inappropriate.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company, its 20% interest in the Fort Hills Energy Limited Partnership (the "Fort Hills Partnership") and its proportionately consolidated 50% interest in the joint ventures with Teck.

b) Financial Instruments

Financial instruments are required to be classified in one of five ways: (i) held for trading; (ii) held to maturity; (iii) loans and receivables; (iv) available-for-sale; or (v) other financial liabilities. The Company's cash equivalents and invested cash collateral are considered held to maturity and the amortized costs they are carried at approximate their fair values due to their short term nature. Other assets, comprised of asset-backed commercial paper held by the Company, are considered held to maturity, but are carried at estimated fair value due to impairment. Accounts receivable, accounts payable and related accruals are carried at amortized cost which approximate fair values due also to their short term nature. The sale proceeds receivable from Teck was initially recognized at fair value and subsequently presented at amortized cost using the effective interest method. The Company does not currently participate in any hedging activities.

Other comprehensive income represents items such as the change in equity arising from unrealized gains and losses from financial instruments designated as available-for-sale and changes in fair market value of derivatives designated as cash flow hedges, and is presented as a separate component of shareholders' equity on the balance sheet. The Company does not have any other comprehensive income.

CICA Handbook Sections 3862 and 3863 require disclosure of qualitative and quantitative information to enable users of financial statements to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. Section 3862, Financial Instruments Disclosures, has been revised to enhance disclosures around fair value measures of financial instruments effective for the Company's 2009 annual financial statements. Items measured at fair value are required to be placed into one of three categories as follows: (i) Level 1 - fair value determined from quoted prices; (ii) Level 2- fair value determined principally from quoted prices; or (iii) Level 3 – fair value not based on observable market data. Prescribed disclosures surrounding the respective classes of financial instruments and levels are contained in Note 13.

c) Property, Plant, and Equipment

The Company has adopted the Canadian Accounting Standard for Enterprises in the Development Stage. All direct costs relating to the development of the Company's projects to date, including capital expenditures and pre-operating costs are capitalized, including the cost of the acquisition of leases, exploration and development, interest and administrative costs that are directly related to development activities. When production begins, these capitalized costs will be amortized following the unit-of-production method based on proved reserves.

The carrying values of property, plant and equipment are not intended to reflect their future value. The future value of property, plant and equipment depends on the start-up of commercial production, the ability of the Company to obtain financing and the future profitability of the Company's projects. Accordingly, property, plant and equipment are assessed in each reporting period to determine if there are events or circumstances that would indicate it is unlikely such costs will be recovered in the future. If there are costs that are considered unlikely to be recovered, they are charged to earnings.

Amortization of property, plant and equipment will be provided following the unit-of-production method based on proved reserves when production begins on the Company's various projects.

Office equipment and leaseholds are depreciated on a straight-line basis over the estimated service lives of the assets.

d) Asset Retirement Obligations

The Company accounts for its obligations associated with the retirement of long-lived assets and the related asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction and development and use of the asset. The standard requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying value of the associated asset. The liability is accreted at the end of each period through charges to the carrying value of the associated asset if in a pre-operating stage, or expensed after the property has been developed and put into production.

e) Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities.

Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

f) Stock-Based Compensation

The Company accounts for stock options, share appreciation rights, and deferred share units granted subsequent to January 1, 2002 utilizing the fair value method to calculate a fair value of the stock award granted and recording that fair value as compensation expense over the vesting period of the award with a corresponding increase in contributed surplus. Upon the exercise of these stock options, share appreciation rights and deferred share units, the consideration received by the Company and the contributed surplus associated with the award are credited to share capital. Forfeitures are recognized as they occur.

g) Per Share Amounts

The Company reports per share amounts using the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, dilutive instruments create an impact on the dilution calculation where the current value of the dilutive instrument exceeds its exercise price and the Company has positive earnings.

h) Flow Through Shares

Share capital includes flow through shares issued pursuant to certain provisions of the Income Tax Act (Canada), which provide that where share issuance proceeds are used to fund exploration and development expenditures, the related income tax deductions may be renounced to the subscribers for those shares. Future income taxes are recorded and share capital is reduced by the tax effect of the related expenditures when the expenditures are renounced.

i) Cash and Cash Equivalents

Cash and cash equivalents comprise deposits with banks and investments with initial maturities of three months or less.

j) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates as future confirming events occur. Significant estimates used in the preparation of the financial statements include, but are not limited to, assumptions surrounding the valuation of sale proceeds receivable, accrued liabilities, asset retirement obligations, future income taxes, impairment of assets, and stock-based compensation.

k) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. Invested Cash Collateral

The Company has chosen to pledge cash as collateral against a letter of credit currently outstanding totalling $13,743,150 (2008 - $14,683,150). The cash is currently invested in a 90 day term deposit and is therefore not available for use by the Company for other purposes; therefore it has not been included in cash and cash equivalents at December 31, 2009. See note 11.

4. Property, Plant and Equipment

December 31,	**2009**	2008
Fort Hills Project	**$324,765,056**	$348,334,790
Other leases and exploration / development costs	**195,420,917**	172,668,742
Office equipment and leaseholds	**1,410,259**	906,579
Less: Accumulated amortization	**(1,074,979)**	(672,647)
Net book value	**$520,521,253**	$521,237,464

During the year ended December 31, 2009, $7,255,953 (2008 - $10,865,442) of general and administrative expenses were capitalized to property, plant & equipment, including $2,861,013 (2008 - $6,073,502) of stock-based compensation.

(i) The funding of the Company's 20% working interest share of Fort Hills Project expenditures by the Company's Fort Hills Partners on the Company's behalf results in the Company's PP&E balances in these financial statements increasing only by the expenditures actually funded by the Company itself during the earn-in period (ie - until the first $7.5 billion of Fort Hills Project expenditure has occurred). The Company funded the first $2.5 billion of Fort Hills Project expenditures at 4%, or $100 million, and will fund the ensuing $5 billion at 5%, or $250 million, for a total corporate spend of $350 million for the first $7.5 billion of Fort Hills Project expenditure. Thereafter, the Company will fund its 20% interest share of expenditures.

For the year ended December 31, 2009, Fort Hills Project spending by Fort Hills Partners on UTS' behalf, totalled $42.5 million (2008 - $459.6 million). Cumulative spending to

December 31, 2009 by Fort Hills Partners on UTS' behalf totals $696.1 million. At December 31, 2009, $703.9 million of Fort Hills Project funding remains committed by Fort Hills Partners on UTS' behalf. UTS will receive 20% of the cash flows upon commencing operations for its 20% working interest, even though the Company will have paid less than 20% of the Fort Hills Project costs for its 20% interest in the Fort Hills Partnership units.

In the fourth quarter of 2008, the Fort Hills Partnership agreed to defer the final investment decision on the mining portion of the Fort Hills Project until a cost estimate consistent with the current market environment could be established and the Sturgeon upgrader portion of the Fort Hills Project had been deferred indefinitely. The amalgamation between Suncor and Petro-Canada in 2009 is further impacting the scope and timing for the development of the Fort Hills Project, as Suncor reassesses its oil sand options. The near term focus will be on re-configuring the Fort Hills Project to take advantage of synergies with existing Suncor facilities and other cost reduction opportunities. As a result, some existing equipment supply and service agreements have been suspended or terminated. The Fort Hills Partnership has recorded estimated termination costs for such contracts; UTS' funded portion of these totals $4,985,050 (2008 - $8,356,000) and has been reported as other expense in the Statement of Income (Loss), Comprehensive Income (Loss) and Retained Earnings for the years ended December 31, 2008 and 2009. Refer to Note 12. As a result of the deferral of the final investment decision on both the mining and upgrading portions of the Fort Hills Project, UTS has recognized its funded portion of an impairment charge on certain property, plant and equipment totaling $31,945,270 (2008 - $5,266,560), which is included in depreciation and amortization expense in the Statement of Income (Loss), Comprehensive Income (Loss) and Retained Earnings for the years ended December 31, 2008 and 2009.

(ii) In November, 2009, the Company disposed of Leases 421, 022 and 023, located east of the Firebag River in north-eastern Alberta, for gross proceeds of $250 million, which resulted in a gain on sale of $231 million. At December 31, 2009, the proceeds were held in trust for the Company by legal counsel for an escrow period and are therefore shown as a separate item excluded from cash and cash equivalents since the funds were not available for current use. The funds were released from escrow in January, 2010. In the fourth quarter of 2009, UTS acquired a 100 percent interest in other oil sands leases for $15.2 million.

(iii) The final $40 million instalment from the 2007 sale of 50% of Equinox to Teck was received in June, 2009. The instalments of proceeds from that sale had been discounted at a rate of 4.5% over the time remaining to their respective due dates. Accretion of the sales proceeds receivable has been included with interest income on the Statement of Income (Loss), Comprehensive Income (Loss) and Retained Earnings.

Proceeds receivable at December 31, 2007	$76,532,383
Accretion	2,594,600
Proceeds received	(40,000,000)
Proceeds receivable at December 31, 2008	39,126,983
Accretion	873,017
Proceeds received	(40,000,000)
Discount remaining to be accreted at December 31, 2009	$ -

5. Income Taxes

(a) The provision for income tax expense differs from that which would be expected by applying the combined statutory rates. A reconciliation of the difference is as follows:

Year ended December 31,	**2009**	2008
Basic rate	**29.0%**	29.5%
Computed income tax (recovery) at basic rate	**$48,949,938**	$(4,543,596)
Increase (decrease) resulting from:		
Non-deductible charges	**2,392,207**	2,053,249
Adjustment to reflect change in tax rates and other	**(2,414,397)**	(1,012,521)
	$48,927,748	$(3,502,868)

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities are as follows:

December 31,	**2009**	2008
Future tax assets:		
Share issue costs and other	**$ 1,176,281**	$ 2,027,984
Total gross future tax assets	**1,176,281**	2,027,984
Future tax liabilities:		
Oil sands lease investments	**107,477,233**	99,505,323
Total gross future tax liabilities	**107,477,233**	99,505,323
Net future tax liability	**$106,300,952**	$97,477,339

6. Asset Retirement Obligation

The undiscounted, inflated future cash flow estimate for the eventual site restoration of the Fort Hills Project's current disturbances has been revised downward to $70.5 million from $125.9 million. Using assumptions that estimate the life of the Fort Hills Project to be 40 years, an inflation factor of 1.025% (2008 - 1.025%) and a credit adjusted risk-free interest rate discount factor of 7.0% (2008 - 7.5%), the fair value of the Company's 20% share of the site restoration costs has been estimated as follows:

Balance, December 31, 2007	$1,479,600
Obligations incurred	2,142,400
Accretion	72,000
Change in estimate	(51,800)
Balance, December 31, 2008	3,642,200
Obligations incurred	-
Accretion	255,600
Change in estimate	(1,159,000)
Balance, December 31, 2009	$2,738,800

Asset retirement obligations associated with UTS' other leases are not significant.

7. Share Capital

a) Authorized:

Unlimited number of common shares without nominal or par value.

b) Issued:

Changes in capital stock are as follows:

	Number of Shares	Consideration
Issued, December 31, 2007	472,255,407	$587,487,269
Issued on exercise of share purchase options	1,466,667	1,681,334
Transfer from contributed surplus on exercise of share purchase options	-	370,917
Tax effect of flow-through share offering	-	(5,130,000)
Issued on exercise of share appreciation rights	410,177	392,412
Transfer from contributed surplus on exercise of share appreciation rights	-	149,155
Issued on settlement of deferred share units	37,404	-
Transfer from contributed surplus on settlement of deferred share units	-	231,020
Issued December 31, 2008	474,169,655	585,182,107
Issued on exercise of share purchase options	241,666	197,583
Transfer from contributed surplus on exercise of share purchase options	-	148,416
Issued on settlement of deferred share units	126,740	-
Transfer from contributed surplus on settlement of deferred share units	-	918,119
CIBC Mellon Internal Procedure Increase in Reserves	267	-
Issued December 31, 2009	474,538,328	$586,446,225

c) Contributed Surplus

The following table reconciles contributed surplus for the years ended December 31, 2009 and 2008.

Balance, December 31, 2007	$20,260,909
Stock-based compensation expense	6,883,216
Stock-based compensation capitalized to property, plant and equipment	6,073,502
Exercise of share purchase options previously recognized	(751,092)
Balance, December 31, 2008	$32,466,535
Stock-based compensation expense	8,202,384
Stock-based compensation capitalized to property, plant and equipment	2,861,013
Exercise of share purchase options previously recognized	(1,066,535)
Balance, December 31, 2009	$42,463,397

d) Shareholder Rights Plan

On February 24, 2005, the Board of Directors of the Company adopted a Shareholder Rights Plan (the "Plan"). The Plan was confirmed by the Company's shareholders at the Annual and Special Meeting of shareholders held on May 26, 2005.

8. Stock-based Compensation

The Company calculates the grant date fair value for stock-based compensation awards and records the resulting cost over the vesting period of the award. The fair value of each award granted since January 1, 2002 under the Company's Incentive Stock Option Plan ("Option Plan"), Share Appreciation Rights Plan ("SAR Plan") and Deferred Share Unit Plan ("DSU Plan") is estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions for the year ended December 31, 2009: risk free interest rates of 2.21% (2008 - 2.81% to 3.19%), expected lives of four years (2008 - four years), and estimated volatility of 69% (2008 - 52% to 61%). The weighted average fair value of stock options ("options") granted during the year was $nil (2008 - $2.40), the weighted average fair value of SARs granted during the year was $1.15 (2008 - $2.20) and the weighted average fair value of deferred share units ("DSUs") granted during the year was $1.15 (2008 - $5.48). The following amounts have been recognized as stock-based compensation cost:

Year ended December 31,	**2009**	2008
Option Plan	**$9,478,343**	$11,390,091
SAR Plan	**230,380**	223,167
DSU Plan	**1,354,674**	1,343,460
	11,063,397	12,956,718
Capitalized to Property, Plant and Equipment	**(2,861,013)**	(6,073,502)
	$8,202,384	$ 6,883,216

a) Incentive Stock Option Plan

The Company has an Option Plan under which it may grant options to officers and employees. The shareholders of the Company have approved the maximum number of common shares which may be issued pursuant to the Option Plan of 30 million common shares. The exercise price of each option is not less than the market price of the Company's common shares on the last trading day preceding the grant, and an option's maximum term is 10 years. The options may be surrendered by the holder with the consent of the Company for common shares with a value equal to the capital appreciation inherent in the option surrendered. A maximum of one-third of such options granted pursuant to the Option Plan shall be exercisable on each of the first, second and third anniversaries of the date of grant until expiry. The following activity occurred during the years ended December 31, 2009 and 2008:

	Range of Exercise Price	Weighted Average Exercise Price	Options Outstanding	Options Exercisable
Outstanding, December 31, 2007	$0.30 - 6.53	$3.59	17,357,759	8,441,391
Granted	2.95 - 5.50	5.49	3,890,640	
Exercised	0.86 - 1.25	1.47	(1,466,667)	
Outstanding, December 31, 2008	$0.30 - 6.53	$4.15	19,781,732	11,039,992
Exercised	0.65 - 0.92	0.82	(241,666)	
Forfeited	2.02 - 6.42	4.73	(595,500)	
Outstanding, December 31, 2009	$0.30 - 6.53	$4.17	18,944,566	14,995,039

The following table summarizes information concerning options outstanding at December 31, 2009.

	Total Options Outstanding			Exercisable Options	
Range of Exercise Price	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Less than $1.00	3,695,626	4.61	$0.84	3,695,626	$0.84
$1.01 - $5.00	4,373,700	6.32	3.49	4,347,033	3.48
$5.01 - $5.50	8,030,440	7.84	5.29	4,114,247	5.22
Greater than $5.50	2,844,800	6.41	6.42	2,838,133	6.42
	18,944,566	6.65	$4.17	14,995,039	$3.86

b) Share Appreciation Rights Plan

The Company has a SAR Plan under which it may grant SARs to non-executive directors. The shareholders of the Company have approved the maximum number of common shares which may be issued pursuant to the SAR Plan of 3 million common shares. The exercise price of each right is not to be less than the market price of the Company's common shares on the last trading day preceding the grant and a right's maximum term is 10 years. The rights may be surrendered or exchanged by the holder with the consent of the Company for common shares with a value equal to the capital appreciation inherent in the right surrendered or exchanged. Rights granted pursuant to the SAR Plan shall be exercisable commencing not earlier than the first anniversary of grant. The following activity occurred during the years ended December 31, 2009 and 2008:

	Range of Exercise Price	Weighted Average Exercise Price	SARs Outstanding	SARs Exercisable
Outstanding, December 31, 2007	$0.30 - 7.42	$2.15	1,163,317	1,163,317
Granted	3.56 – 5.50	4.53	200,000	
Exercised	0.30 – 4.60	1.01	(410,177)	
Forfeited	7.42	7.42	(105,391)	
Outstanding, December 31, 2008	0.30 - 7.42	2.63	847,749	647,749
Granted	2.17	2.17	100,000	
Outstanding, December 31, 2009	$0.30 – 7.42	$2.58	947,749	847,749

The following table summarizes information concerning SARs outstanding at December 31, 2009:

	Total SARs Outstanding			Exercisable SARs	
Range of Exercise Price	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Less than $1.00	292,107	3.96	$0.53	292,107	$0.53
$1.01 - $5.00	449,316	5.27	2.13	349,316	2.12
$5.01 - $5.50	100,000	8.37	5.50	100,000	5.50
Greater than $5.50	106,326	6.28	7.41	106,326	7.41
	947,749	5.31	$2.58	847,749	$2.63

c) Deferred Share Unit Plan

The Company has a DSU Plan under which it may grant DSUs to non-executive directors and selected employees. The maximum number of deferred share units available for issuance under the Deferred Share Unit Plan is 5.5 million DSUs. Under the DSU Plan, non-executive directors can elect to receive a portion of their retainer fees in DSUs and selected employees can elect to receive up to 100% of their annual performance bonus in DSUs. Such elections must be made in advance of the determination of bonuses in the case of selected employees, and prior to the year in which the non-executive directors' retainers will be earned in accordance with plan provisions. The DSU Plan also provides the Governance, Compensation and Nominating Committee the authority to make discretionary grants of DSUs to non-executive directors as an additional component of their compensation and to selected employees as part of their annual remuneration. Once a non-executive director or selected employee ceases employment, by way of termination, resignation, retirement, disability or death, the Company can, in its sole discretion, either settle the obligation in cash equal to the number of DSUs held by the person multiplied by the previous five day weighted average trading price of the Company's common shares, or in common shares on a one for one basis for each DSU held by the person. DSUs issued pursuant to the DSU Plan, together with all of the Company's other previously established security based compensation arrangements, may not result at any time in the aggregate number of common shares reserved for issuance from the Company's treasury to insiders exceeding 10% of the outstanding issue or the issuance to insiders from the Company's treasury, within a one year period, of an aggregate number of common shares exceeding 10% of the outstanding issue. The DSU Plan is an unfunded plan and any obligations of the Company under the DSU Plan are unsecured. The following activity occurred during the years ended December 31, 2008 and 2009:

	Number of DSU's Granted
Outstanding, December 31, 2007	763,875
Granted	507,825
Net share settled	(46,755)
Outstanding, December 31, 2008	1,224,945
Granted	262,128
Net share settled	(173,991)
Outstanding, December 31, 2009	1,313,082

9. Per Share Computations

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

Year ended December 31,	**2009**	2008
Numerator for basic and diluted earnings per share - net income (loss)	**$119,865,141**	$(11,899,153)
Denominator for basic earnings per share - weighted average number of shares	**474,349,978**	432,379,139
Denominator for diluted earnings per share:		
- weighted average number of shares	**474,349,978**	432,379,139
- effect of dilutive employee stock options	**1,958,793**	-
- effect of dilutive share appreciation rights	**268,859**	-
- effect of dilutive deferred share units	**268,263**	-
Denominator for diluted earnings per share	**476,845,893**	473,379,139
Net income (loss) per share - basic	**$0.25**	$(0.03)
Net income (loss) per share - diluted	**$0.25**	$(0.03)

Excluded from the calculations for the year ended December 31, 2009 are 15,148,940 (2008 - 19,781,732) outstanding stock options with an exercise price range of $1.74 - $6.53 (2008 - $0.30 - $6.53) and 428,976 (2008 - 847,749) outstanding share appreciation rights with an exercise price of $2.17 - $7.42 (2008 - $0.30 - $7.42) and 1,044,819 (2008 - 1,224,945) DSUs as they are currently anti-dilutive.

10. Credit Facility

The Company has a revolving demand credit facility of up to $15 million with a Canadian chartered bank. The facility is available to be used by way of Letters of Credit ("LC") in Canadian dollars, is repayable on demand and, prior to the issuance of each LC, the Company shall deposit with and pledge to the bank an amount in Canadian dollars equal to the full face amount of the LC and shall execute and deliver to the bank in respect of the amount so deposited a cash collateral agreement. Issuance fees for LCs issued under this facility shall be $0.50% per annum, and any overdue fees shall bear interest at bank prime plus 5% per annum.

On December 15, 2008 an LC was posted with Alberta Environment in the amount of $13,743,150 as security in respect of the Company's 20% share of future mine site reclamation for the Fort Hills Project. This LC was intended to replace an LC posted with Alberta Environment on December 7, 2007 in the amount of $2,848,733, which was in the process of being returned at December 31, 2008, but was not received and cancelled by the bank until January 2009; therefore it was still outstanding at December 31, 2008. The LC was renewed on December 15, 2009.

At December 31, 2008, the Company had a $940,000 LC posted with ATCO Electric Limited for the Fort Hills bitumen extraction and processing facility electrical interconnection. The LC was returned to the Fort Hills Partners on March 10, 2009 as the existing form of the contract has been cancelled.

11. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity and bank debt as capital. The Company is currently in the development stage and earns no operating

revenue; as such the Company is dependent on external financing, share issuances, asset dispositions or entrance into joint arrangements with other parties to fund its activities. The Company currently has no bank debt but has a credit line in place of $15 million, which has been used to fund the $13,743,150 in LCs posted by the Company. Capital managed as at December 31, 2009 and 2008 is as follows:

	December 31, 2009	December 31, 2008
Bank Credit Facility	$ 15,000,000	$ 15,000,000
Shareholders' Equity	862,719,092	731,592,971
Capital Managed	$877,719,092	$746,592,971

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or repay bank debt, or enter into joint exploration and development arrangements with other parties. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, thereby ensuring that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the year ended December 31, 2009.

12. Other Expense

Other expense comprises the following:

	December 31, 2009	December 31, 2008
Financing costs written off	$ 80,642	$ 962,487
Fort Hills contract termination costs - See Note 4	4,985,050	8,356,000
Costs associated with unsuccessful takeover bid attempt by Total E&P	6,906,617	-
	$11,972,309	$9,318,487

During the year ended December 31, 2008, the Company engaged a number of independent consultants to assist in preliminary financing activities. These costs, totalling $80,642 and $962,487 for the years ended December 31, 2009 and 2008, respectively, were written off as the Company is not actively pursuing its financing activities due to the deferral of the final investment decisions on the Fort Hills Project. As a result of the decreased Fort Hill's activity, additional termination costs for certain Fort Hills equipment supply and service agreements, of which UTS' share totals $4,985,050 (2008 - $8,356,000), have been written off.

13. Financial Instruments

The carrying value of the Company's short-term financial instruments including cash and cash equivalents, cash pledged as collateral, sales proceeds held in escrow, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of their short-term nature. Items measured at fair value are required to be placed into one of three categories as follows: (i) Level 1 - fair value determined from quoted prices in active markets, active markets being those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis; (ii) Level 2 - fair value determined using inputs other than quoted prices found in

Level 1 that are observable in the marketplace, either directly or indirectly, as of the reporting date; or (iii) Level 3 - fair value based on inputs that are less observable, unavailable or not based on observable market data.

A asset-backed commercial paper held by the Company is represented as a long term investment. Although there are certain dealers attempting to match buyers and sellers and establish some form of market for these instruments, the value assessment for these investments has been based on a model of estimated cash flows (Level 3) since there is no reliable market for these instruments at this time.

The Company's risk exposure associated with its financial instruments is summarized below.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company's financial position could be adversely affected if it failed to arrange financing for its capital expenditure programs. The Company strives to maintain sufficient financial liquidity by forecasting cash flows for current and subsequent years to identify financing requirements on an ongoing basis. Liquidity risk is currently low due to the cash and cash equivalents held by the Company as well as the Fort Hills Partnership Agreements held with Suncor and Teck whereby UTS is only required to fund $350 million of the first $7.5 billion of expenditure as the Fort Hills Partners earn their working interest in the Fort Hills Project by funding a portion of UTS' working interest expenditure. However, with current turmoil in the capital markets, market improvement is necessary to fund the remaining capital expenditures.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its holdings of asset-backed commercial paper (other assets), other cash equivalents, and accounts receivable. At December 31, 2009, the asset-backed commercial paper restructured notes are carried at estimated fair value of $2.15 million net of cumulative impairment charges of $2.2 million. The credit worthiness of these investments remains uncertain; default risk has been considered in arriving at the estimated fair value.

The final $40 million instalment of sales proceeds from the 2007 disposition of 50% of Lease 14 to Teck was received in June, 2009. At December 31, 2009, approximately $6.5 million of accounts receivable are due from joint venture partners. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditure budgets prior to expenditure.

Cash and cash equivalents held by the Company are only invested with counterparties meeting credit quality requirements and issuer and concentration limits as set out in the Company's investment guidelines. UTS' cash investment policy and guidelines are reviewed periodically and are currently very conservative, emphasizing security of assets over investment yield. Therefore, the Company's management believe that credit risk associated with these investments is minimal.

There is also an element of credit risk associated with the Fort Hills Partnership Agreements noted above in the Liquidity Risk section. If Suncor and Teck failed to discharge their obligations under those agreements, UTS could incur financial loss and therefore the Company continues to monitor credit risks and markets.

(c) Market Risk

The three components of market risk are interest rate risk, price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of any of its cash and cash equivalents is minimal because the Company's investment policy requires that cash equivalents acquired be short term in nature and investments are held through to maturity.

The Company is exposed to changes in interest rates on its credit line facility as the facility bears interest on any overdue fees at the bank's prime rate plus 5%. Exposure is minimal as the credit line currently has a $15 million limit which is only available to fund LCs. Interest rate risk will become more of a factor as the Company takes on more debt to fund future project expenditures.

(ii) Price risk

Although the Company is not yet a producing entity, it is exposed to price risk with respect to commodity and equity prices to some extent by virtue of their impacts on the value of the Company's prospects and the resulting impact on the Company's share price. The Company's ability to raise capital to fund future development activities is subject to risks associated with fluctuations in the price of oil, natural gas and construction inputs such as steel and labour, as well as movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity and equity prices to determine the appropriate course of actions to be taken by the Company.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments held by the Company are denominated in Canadian dollars and, as such, there is currently no currency risk associated with the financial instruments.

The Fort Hills Partnership is exposed to changes in foreign exchange rates as capital expenditures may fluctuate due to changing US and Euro currency rates. The Limited Partners bear the risk of such rate fluctuations.

14. Commitments

a) Third Party Royalty

The Fort Hills Project as presently configured is subject to a royalty in favour of Suncor (formerly PetroCanada) respecting the volume of bitumen produced and shipped from oil sands Lease T52 with a minimum annual payment of $200,000, irrespective of production, commencing in 2000 and subject to a maximum aggregate royalty of $20 million. The royalty is calculated as 1% to 2% of production and cumulative payments to December 31, 2009 by the partnership as a whole total $2,000,000.

The Fort Hills Project is subject to a royalty payment in favour of Can-Amera Oil Sands, Inc. ("Can-Amera") for bitumen production from Lease T05 of $0.045 /bbl of production. There has been no production to date.

b) Lease Tenure

In March of 2009, PCOSI, on behalf of the Fort Hills Partnership agreed with Alberta Energy on a Fort Hills Lease Substitution Agreement to extend the terms of Leases Agreements associated with Leases T52 and T05 and remove the development milestones that were previously associated with those Lease Agreements. The extension and removal of milestones was provided in exchange for a commitment to upgrade bitumen production within Alberta from Phase II, defined as the bitumen production subsequent to the 160,000 bbl/d from Phase I of the Fort Hills Project. The terms of these new leases will run through to July 31, 2019. In the event that the Fort Hills Project does not meet the terms of the Fort Hills Lease Substitution Agreement, the Fort Hills Partnership will pay the Province of Alberta damages for lost provincial revenue that could total $500 million.

In 2008, the Fort Hills Partnership announced that it would defer to 2009 a final investment decision on the mining portion of the Fort Hills Project until a cost estimate consistent with the current market environment could be established. The amalgamation between Suncor and Petro-Canada in 2009 is further impacting the scope and timing for the development of the Fort Hills Project, as Suncor re-assesses the project design and potential capital cost efficiencies and integration opportunities. The near term project focus will be on re-configuring the Fort Hills Project to take advantage of the synergies with the existing Suncor facilities. Suncor is expected to complete a re-assessment of its oil sands assets before the end of 2010.

c) Suncor (formerly Petro-Canada)/Teck/UTS Energy Corporation Agreements

On March 1, 2005, UTS entered into an agreement with Petro-Canada relating to the joint development of the Fort Hills Project. Under the agreement, UTS retained a 40% interest in the Fort Hills Project while Petro-Canada became the operator with a 60% interest. In addition, UTS retained 100% ownership of Lease 14 on the west side of the Athabasca River. The arrangement with Petro-Canada provided for an initial joint $1.0 billion Fort Hills Project funding commitment. Petro-Canada was to earn a 60% interest and operatorship by paying $300 million of UTS' share of the first $1.0 billion of Fort Hills Project's development costs, at a rate of 75% of UTS' 40% interest share until fully earned into the Fort Hills Project. At the same time as paying the earn-in, Petro-Canada was to also pay its own 60% share of the Fort Hills Project's development costs.

The Fort Hills partnering arrangement was then revised during the third quarter of 2005 with the addition of Teck as a 15% working interest partner. The revised Limited Partnership Agreement ("LPA") was executed November 30, 2005, reflecting the revised arrangement with Petro-Canada remaining the operator with a 55% interest, UTS retaining a 30% interest and Teck subscribing for a 15% interest. The LPA provided for an initial joint $2.5 billion funding commitment for expenditures on the Fort Hills Project incurred from March 1, 2005 onward. Teck was to earn a 15% interest by paying $850 million of the first $2.5 billion spent, the remaining $1.65 billion to be contributed by Petro-Canada at $1.55 billion and UTS at $100 million. After the first $2.5 billion of spending was to have been reached, further costs and expenses incurred would have been funded by the partners on the basis of their ownership interest.

On November 26, 2007, UTS announced the completion of a transaction announced previously on September 19, 2007 whereby its current partners in the Fort Hills Project, Petro-Canada and Teck, will each earn a further five percent working interest in the Fort Hills Project to bring Petro-Canada's interest to 60% from 55% and Teck's interest to 20% from 15%, with a resultant decrease in UTS' interest from 30% to 20%. Petro-Canada and Teck will contribute a combined $750 million on UTS' behalf beyond the original obligation of $2.5 billion noted above. As a result, UTS is effectively funded up to the first $7.5 billion of Fort Hills Project expenditures, with a $250 million further contribution required by UTS over the period during which the first $7.5 billion is spent. After the first $7.5 billion of spending has been reached, further expenditures will be funded by the partners on the basis of their ownership interests. At December 31, 2009, the

first $2.5 billion of expenditure has been incurred by the Fort Hills Partnership and $46.1million of the $750 million UTS carry on the second earn-in has been incurred by Suncor and Teck on UTS' behalf.

The funding of Fort Hills Project expenditures by the Company's partners in the Fort Hills Partnership on the Company's behalf results in the Company's property, plant and equipment balances in these financial statements increasing only by the percentage of expenditures actually funded by the Company itself during the earn-in period (ie - until the first $7.5 billion of Fort Hills Project expenditure has occurred). The Company funded the first $2.5 billion of Fort Hills Project expenditures at 4%, or $100 million and will fund the ensuing $5 billion at 5%, or $250 million, for a total corporate spend of $350 million for the first $7.5 billion of Fort Hills Project expenditure. Thereafter, the Company will fund its 20% interest share of expenditures.

d) Fort Hills Project Funding

The Company is responsible for its share of the capital and operating costs of the Fort Hills Project. The cost of development of the Fort Hills Project significantly exceeds the Company's financial resources. Prior to commencing operations (if at all), UTS intends to finance such capital requirements from borrowings or from sales of equity securities. If additional financing is unavailable, the Fort Hills Project may be further delayed, development may be indefinitely postponed, or the future value of the Company's investment therein may be impaired.

e) Lease Commitments

The Company has committed to operating lease arrangements, for office space and equipment, in the aggregate amount of $2,686,000 over the next five years. Annual payments are as follows:

2010	$1,083,000
2011	1,131,000
2012	472,000
Total	$2,686,000

15. Contingencies

a) Crown Royalty

The Province of Alberta imposes royalties of varying rates on the production of bitumen from oil sands. The Government of Alberta has introduced price-sensitive formulas which will be applied both before and after specified allowed costs have been recovered, including a return on capital based on the Government of Canada's long-term bond rate ("payout"). The base royalty starts at one percent of gross revenue on bitumen produced and increases for every dollar that the world oil price, as reflected by the West Texas Intermediate ("WTI") crude oil price, is priced above CAD$55/bbl, to a maximum of nine percent when the WTI crude oil price is CAD$120 /bbl or higher. After payout, the net royalty on oil sands starts at 25 percent of net revenue and increases for every dollar the WTI crude oil price is above CAD$55/bbl to a maximum of 40 percent when the WTI crude oil price is CAD$120 /bbl or higher. Subsequent thereto, the royalty will be the greater of 1% of the gross revenue on the bitumen produced and 25% of net revenue. Net revenue is determined by deducting from gross revenue the aggregate of all allowable operating costs and capital costs and any loss carry forwards. These changes came into effect on January 1, 2009. Prior to January 1, 2009, oil sands producers were subject to an initial crown royalty of 1% of the gross revenue on the bitumen produced, to be paid until the recovery of 100% of the allowed costs associated with the mining and extraction facilities, including a return on capital based on the monthly federal long-term bond rate. As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind as it does

currently for conventional oil production. As UTS currently has no production, it is not yet paying royalties.

b) Licensing Agreements

In 2000, the Fort Hills Project entered into a license and technical support agreement with a third party to obtain ongoing technical support and information on licensed processes for the extraction of bitumen from oil sands through to 2015. To date, $5 million has been paid by the Fort Hills Partnership pursuant to this agreement. Contingent on utilization of the underlying subject technology, an additional $15 million is payable by the Fort Hills Partnership when construction of the Fort Hills Project commences and a further $25 million is payable by the Fort Hills Partnership when the Fort Hills Project attains specified levels of production. At December 31, 2009 there are no amounts due under this agreement.

During the year ended December 31, 2008, the Fort Hills Partnership entered into a site license and technical support agreement with Suncor for the use of proprietary equipment for slurring mined ore prior to hydro transportation. In 2008, $8.5 million was paid by the Fort Hills Partnership pursuant to this agreement. A further $4.25 million is payable by the Fort Hills Partnership upon project sanctioning and an additional $4.25 million is payable by the Fort Hills Partnership upon start of production. At December 31, 2009 there are no amounts due under this agreement.

c) Fort Hills Pipeline Project

The Fort Hills Partnership has entered into a memorandum of agreement with Enbridge Pipelines (Athabasca) Inc. (the "Agreement") to develop and operate diluent and bitumen pipelines ("Pipeline Project") for use in the Fort Hills Project. Under the Agreement, Enbridge Pipelines (Athabasca) ("Enbridge") will construct, own and operate the pipelines to be used in transporting diluent and bitumen for the Fort Hills Project. If the Fort Hills Partnership were to terminate the Pipeline Project before construction completion, the Fort Hills Partnership would be required to compensate Enbridge for capital costs incurred and committed as at the date of Pipeline Project termination. At December 31, 2009, the Pipeline Project is in the engineering phase. Enbridge has incurred capital costs of approximately $66.2 million (2008 - $60.1 million). An additional $61.3 million of cancellation costs relating to engineering work incurred by Enbridge have been accrued and expensed due to the delay in the decision to proceed with the upgrader, of which UTS' funded portion is $3 million.

d) Suncor (formerly Petro-Canada)/Teck/UTS Energy Corporation Agreements

The terms of the Fort Hills Partnership agreements provide that if the Fort Hills Partnership were to determine that the Fort Hills Project will not proceed, which would be a decision requiring unanimous agreement amongst the Fort Hills Partners, UTS would be entitled to the remaining amount of Suncor's original earn-in of $0.675 billion and Teck's original earn-in of $0.725 billion unless costs have exceeded $7.5 billion. At December 31, 2009, the remaining earn-in amounts totaled $0.352 billion and $$0.352 billion for Suncor and Teck, respectively.

16. Recent Accounting Pronouncements

Effective January 1, 2009, the Company adopted CICA Handbook accounting standard Section 3064, Goodwill and Intangible Assets, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The adoption of this standard did not have any impact on the Company's financial results.

In 2006, Canada's Accounting Standards Board ("AcSB") ratified a strategic plan that will result in Canadian GAAP, as used by publicly accountable enterprises, being converged with International Financial Reporting Standards ("IFRS") over a transitional period. In February 2008, the AcSB

confirmed the changeover to IFRS for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents a change to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking which may materially affect the Company's reported financial position and results of operations. The Company has drafted an IFRS Transition Plan ("IFRS Plan") and an assessment of the impact of IFRS on the entity, its processes and its financial reporting is currently underway.

Effective for fiscal years commencing on or after January 1, 2011, the Company will be required to adopt CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which sections provide guidance on accounting for business combinations, the presentation of consolidated financial statements and accounting for non-controlling interests. The Company will assess the impact of these standards on its financial statements as part of its transition to International Financial Reporting Standards.

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